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MEMORANDUM

DATE November 30, 2010

TO Margaret Bowles, ABE State Director, Montana Office of Public Instruction

CC Ronna Spacone, Office of Vocational and Adult Education

FROM Kristen Kulongoski and Ruth Sugar, MPR Associates, Inc.

RE Performance-Based Funding Recommendations

In 2010, the Montana Office of Public Instruction applied for technical assistance (TA) from the Office of Vocational and Adult Education to help review and revise a performance-based funding (PBF) system for allocating adult education resources and to address other state-specific issues associated with PBF implementation. Between January and September 2010, MPR Associates, Inc. worked with Montana to identify its goals for PBF system design and to develop and implement a technical assistance work plan. This memo documents the PBF system development process and summarizes funding formula recommendations.

As identified in the work plan, the goals of system development were to (1) minimize the negative impact of PBF and reward high-performing programs; (2) create local advocates (program directors) for PBF and garner respect for the process; (3) conduct the PBF design process transparently; (4) develop and analyze different funding models; and (5) provide professional development to program directors on the formula and use of formula spreadsheets. Montana also requested support in revisiting the existing funding formula, developed by a small task force in 2008, to increase the task force's understanding of the formula and consider alternatives to the existing model. Throughout the process, the task force worked to create a fair and equitable system that is transparent and understandable and will allow directors to forecast their fiscal eligibility to support their program planning activities.

To accomplish these goals, the state convened a 13-member task force, including the state director and local program directors and representatives, to meet twice during the process and participate in webinars and conference calls, as needed. Task force meetings were held on April 8 and June 28–29, 2010 in Helena. Two webinars were held on July 13 and September 28, 2010. The purpose of the first webinar was to review the June meeting activities and outcomes with task force members who could not attend the meeting. The purpose of the second webinar was to review previous task force recommendations, preview interim data analysis results, discussions, and decisions, and prepare for a third meeting on October 7–8, 2010 (an activity outside of the scope of the OVAE project that was part of a separate state contract with MPR Associates to finalize the state's formula and prepare for implementation).

As of October 2010, Montana's PBF plans and funding formula include:

- New base and PBF funding criteria;
- A scheduled statewide PBF dissemination meeting in February 2011; and
- A planned implementation date of July 1, 2011.

Key Discussion Points

The following discussions took place during the PBF development process, raising important design considerations for the new state funding system.

Base Funding

- **Need**

  The task force reviewed possible data sources and allocation approaches for updating the needs-based component of its base funding formula. Montana's existing formula defines the need for adult education services in a county by the county's poverty, unemployment, and educational attainment levels. However, the task force noted that existing educational attainment data are outdated (from the 2000 Census), and comparable data will not be available in the 2010 Census. Further, many counties in Montana fall below the minimum population size for inclusion in the American Community Survey. Therefore, the task force agreed to eliminate educational attainment as an indicator of need and instead consider one or a combination of the following indicators: poverty, unemployment, and receipt of Supplemental Nutrition Assistance Program (SNAP) benefits (Food Stamps). The existing formula also allocates 100 percent of a county's need to all programs serving the county, regardless of whether multiple programs serve the same county. The task force examined alternative models that allocated need based on both administrative and satellite site locations, as well as a model that allocated need within counties based on programs' relative share of county enrollment. The task force decided that just programs' administrative sites should qualify for the need allocation and that multiple programs in a county should each receive 100 percent of the county's need allocation. Moving forward, the task force recommended that the state, with input from the field, establish a policy to distribute need to programs based on the location of their administrative and satellite sites, allowing them to claim multiple county allocations. The policy should detail eligibility requirements for satellite status, such as minimum enrollment and performance standards, to provide guidelines on which programs can receive need distributions for services offered outside their administrative county.

- **Enrollment**
  Montana's existing formula allocates half of available funding based on total enrollment, regardless of instructional hours. It also accounts for the higher operating costs of small/rural programs by including weighted tiers that place a greater value on enrollment for small programs. The task force debated the efficacy of this approach, since increasing or reducing enrollment averages by even one person had an impact on funding. Attempting to mitigate such fluctuations by including ranges around the tiers complicated the formula and did not solve the inherent problems. The task force evaluated models that continued to include weighted enrollment tiers, as well as models that treated enrollment equally. Based on an analysis of state enrollment data, the task force agreed that the new model should distribute enrollment allocations based on enrollment greater than or equal to 12 instructional hours and without weighted tiers, thus valuing all enrollment equally and omitting students with less than 12 instructional hours. In doing so, they also recommended that the formula address small/rural program costs through other funding criteria, such as the institutional grant.

- **Institutional Grant**
  The group considered using an institutional grant to mitigate the disparities in funding caused by broad ranges in enrollment and to account for the higher program costs of small and medium programs. This approach would assure a flat allocation to small and medium programs to keep them open. The task force debated the appropriate grant amount, finding it difficult to determine a minimum amount that would serve all programs effectively. The state director

determined that $10,000 was the minimum amount of base funding that a small program needed to provide services. The group also explored models with tiered institutional grants that provide different amounts based on program size. The task force agreed with the overall purpose of the institutional grant, but recommended the state look more closely at the tier ranges and grant amounts. Additionally, the task force suggested that the state consider an approach where the institutional grant is used only when a program falls below the minimum base allocation for the different program sizes defined by the tiers. For either option, the state would need to establish appropriate funding levels and model both options to understand their effects on small and large providers.

Performance-Based Funding

- **Measures**

  The task force decided to use the same performance criteria included in the current formula: educational gain, GED attainment, employment retention, employment placement, and postsecondary transition. However, the group recommended that the revised formula be based on the federal definition of an outcome, which means that outcomes will be counted for students with at least 12 instructional hours and who set and meet the goal of achieving the GED, postsecondary, and employment measures. Analysis of state performance data for 2007–08 and 2008–09 shows that student persistence (defined as the percentage of students having a goal of completing a core measure and doing so and 12 or more instructional hours) improved from one year to the next. In 2008–09, 79 percent of GED completers had 12 or more instructional hours; 85 percent of students who transitioned to postsecondary education did so after 12 or more hours; and an average of 62 percent of students entering or retaining employment had at least 12 instructional hours. The state felt that including only students with 12 or more instructional hours supports the federal and state goal of student persistence: retaining students long enough to ensure they reach their goals.

  The task force also decided to eliminate the Adult Secondary Education (ASE) High level from the educational gain measure because it can be validated by successful completion of the GED. The group also evaluated whether significant educational gain (measuring interim progress) could be used in lieu of the educational gains measure. During a national data system meeting in August 2010, the state director learned that psychometricians studying the National Reporting System's (NRS) approved assessments had not yet determined valid interim score ranges that could be used across all approved assessment instruments. Therefore, the state decided that the new formula would not incorporate significant educational gain at this time. The task force considered other measures such as partner collaboration, special populations, and quality measures similar to those used in Kansas. Due to limited data collection and reporting policies and procedures for these measures, the task force tabled them for future consideration.

- **Targets and Outcomes**
  The existing formula calculates performance using the number of raw student outcomes achieved by each program. The facilitators introduced models that included both student outcomes and compared program performance to state performance targets. The task force discussed the effects of using only one or the other in a formula and agreed that using both not only balances the benefits to large and small programs, but also rewards and provides incentives for both individual and program performance. Further evaluation of the effects of small enrollment numbers in each measure led the task force to agree to prorate performance target points based on a program's relative share of learners in each educational functioning level (EFL) or measure. The task force found this strategy more equitable and believed it ensured fairness among programs. The task force also recommended using state-determined performance targets instead of the state's federally negotiated targets. The state agreed to use current federally negotiated targets (for 2008–09 data) in the FY11 formula and establish alternative targets for the FY12 formula (for 2009–10 and newer data).

Formula Recommendations

The task force and state agreed on the following new formula for distributing state and federal funds.

- **Base Funding (60 percent of total resources)**

- Enrollment (39–42 percent of total resources): based on a two-year rolling average and including students receiving at least 12 hours of instruction
- Need (15 percent of total resources): defined by poverty, unemployment, and/or SNAP receipt
- Institutional grant (4–6 percent of total resources): still to be determined by the state and may include a flat amount awarded to all programs or small programs, or no grant at all

➢ **Performance-Based Funding (40 percent of total resources)**

- Two-year rolling average of the number of outcomes achieved on the following performance measures (25 percent of total resources):
  - NRS Core Measures: education gain, GED attainment, employment retention, employment placement, postsecondary transition
- Number of target points achieved for meeting state targets on the following performance measures (15 percent of total resources):
  - NRS Core Measures: education gain, GED attainment, employment retention, employment placement, postsecondary transition
  - Target points prorated for number of learners enrolled at each level, divided by total program enrollment

➢ **Other Formula Updates**

- State and federal formulas were merged, so that all funds are allocated through one formula.
- Harm-and-gain limits were eliminated.
- Montana State Prison program was removed from the formula.

Next Steps

As TA concludes, state administrators must now finalize the proposed formula for implementation and train local programs in its use. MPR recommends that the following considerations be kept in mind.

Resolve Formula Issues

- Finalize which need data to use and determine if one, or a combination, of the following data will best define need: poverty, unemployment, and/or food stamps (SNAP). Explore using SNAP data as an alternative to poverty data in the need formula. SNAP data are reported monthly and include those who are unemployed but not actively looking for work and therefore would not be represented in the unemployment data used in the existing formula.

- Determine whether an institutional grant should be included to account for the higher costs of running a small program. Determine the amount of the grant and whether to award to all programs or only small programs.

Resolve Implementation Issues

- Finalize details for the February 2011 formula dissemination meeting that will provide an overview of the PBF process and final model. In preparation for the meeting, facilitators will review draft materials with state staff and task force members.
- Identify the annual impact (reasons for significant decreases or increases) of the formula on all programs. For new base funds and PBF, are specific formula criteria meeting system goals and values as intended?
- Set new state performance measure targets for the FY12 formula, using 2009–10 data.
- As the new formula is implemented over time, consider the appropriate balance between total base and PBF percentages, and percentages within each component. Which has greater value? How does each meet state funding priorities and goals?

Other Issues

- The task force is interested in supplemental weighting for specific EFLs or the other core measures. Before additional weighting is assigned, the state should analyze how many instructional hours are needed for each EFL or core measure completion.
- Develop policies to define satellite sites and determine how to allocate funds when multiple programs share counties.
- Evaluate whether consortia grants or a regional approach (program consolidation) would be beneficial to the ABLE system.
- Develop a policy to address underperforming programs.
- Define funding eligibility requirements such as minimum enrollment, maintenance of effort, and minimum grant amount.

- Develop a program improvement policy that rewards programs that make progress from year to year, regardless if they underperform or consistently exceed state targets.
- Use enrollment hour requirements that support retention goals and comply with NRS mandates. For example, the task force decided to use 12 hours or more of enrollment in the formula. As the formula is modified over time, the task force should keep state goals and federal requirements in mind.

As a final step, MPR will work with state staff to transition the funding model and other project materials to Montana in preparation for further formula refinements and/or implementation. MPR thanks PBF task force members and staff for their hard work and participation in productive discussions to guide the development of the state's new formula for allocating adult education resources.

Appendix:

- Technical assistance work plan
- Task force participants
- Summaries of task force meetings
- Modeling decisions chart
- Recommended funding model (with annotations explaining model calculations)

Appendix

Performance-Based Funding in Adult Education
A Project of the U.S. Department of Education

Draft Technical Assistance Work Plan

State:	Montana
State Team Members:	Margaret Bowles
TA Facilitators:	Kristen Kulongoski, Ruth Sugar
Plan Date:	January 25, 2010

I. State Goals

Montana's Office of Public Instruction, Adult Basic and Literacy Education division would like to accomplish the following:

- Engage credible professionals who will advocate for and champion the PBF process, thereby increasing state-wide buy-in;
- Develop and analyze different funding models, in addition to the formula the state developed in 2008, so that the task force can make an informed selection on the PBF model for Montana;
- Conduct the PBF process in a transparent manner, providing information to the field throughout the model development process; and
- Develop and provide professional development to program directors on the formula and the use of formula spreadsheets.

II. Technical Assistance Needs

Montana conducted a PBF formula development process in 2008 which closely mirrors the steps that we propose. However, Montana would like to revisit their results and consider alternatives with the assistance of objective third-party facilitators. Therefore, Montana requests support in convening a new task force; outside facilitation for on-site meetings to guide the task force in reviewing and analyzing the current funding formula and developing alternative distributions for base and performance funding; independent data collection and formula spreadsheet development; guidance on professional development.

III. Technical Assistance Activities and Timeline

Montana will commit to the following activities and timeline to achieve the state's PBF system redesign goals.

Objectives	Proposed Activities	Required Resources	Dates	Responsible Party/Parties
Objective 1: Establish Montana's expectations for PBF system review and possible formula redesign and a process for carrying out state task force work.	Schedule webinar to introduce project	Teleconference services and e-mail	By mid-March	MPR to provide teleconferencing services
	Develop webinar content to familiarize Montana state staff with the system review and redesign process and the steps involved in convening and working with a PBF task force	PowerPoint presentation	March 5	Content to be developed by Kristen Kulongoski and Ruth Sugar of MPR and Margaret Bowles
	Conduct webinar	WebEx platform and audio conference line	March 22	Kristen Kulongoski and Ruth Sugar
	Collect fiscal allocation and provider outcome data for the 2008-09 program year for use in assessing relative levels of investment per participant and per learning outcome among local providers	Allocation and outcome data from state data system	By mid-March	Linda Gardner

Objectives	Proposed Activities	Required Resources	Dates	Responsible Party/Parties
Objective 2: Review Montana's priorities for adult education and funding and the criteria to address these priorities.	Identify, invite, and seat 12 provider representatives to serve on state PBF system redesign task force		By March 5	Margaret Bowles and Carol Flynn
	Schedule Kick-off meeting	Reserve meeting site and identify meeting logistical needs	By March 12	Carol Flynn
	Plan kick-off meeting		By March 31	Kristen Kulongoski, Ruth Sugar, Margaret Bowles
	Hold on-site kick-off meeting to (1) review Montana PBF formula and the design process, (2) revisit state priorities for allocating base and performance-based funding (3) confirm or select new funding criteria and formula weights, and (4) determine initial allocation mechanism for allocating resources	Meeting agenda and handouts	April 8	Kristen Kulongoski, Ruth Sugar, task force members, Margaret Bowles
	Draft and circulate meeting minutes to task force members	E-mail	By April 15	Ruth Sugar

Objectives	Proposed Activities	Required Resources	Dates	Responsible Party/Parties
Objective 3: Model fund distribution based on task force input.	Collect additional state data associated with the formula criteria identified by the task force for use in developing the funding model	State finance and provider demographic and performance data	By April 16	Linda Gardner and Ruth Sugar
	Develop first set of funding formulas to allocate adult education funds and share results with Montana state staff	Excel spreadsheets Teleconference service	By April 30	Kristen Kulongoski and Ruth Sugar
	Revise funding formulas to reflect staff input	Excel spreadsheets	By May 7	Kristen Kulongoski, Ruth Sugar, Margaret Bowles
Objective 4: Refine funding formula operation.	Schedule second task force meeting	Reserve meeting site and identify meeting logistical needs	By April 9	Carol Flynn
	Plan second task force meeting	None	By May 14	Kristen Kulongoski, Ruth Sugar, Margaret Bowles
	Hold on-site task force meeting to (1) review initial formula and allocations, (2) revisit selection criteria and formula weights, and (3) refine allocation criteria	Meeting agenda and handouts	Week of May 24	Kristen Kulongoski, Ruth Sugar, taskforce members, Margaret Bowles
	Draft and circulate meeting minutes to task force members	E-mail	By June 1	Kristen Kulongoski, Ruth Sugar

Objectives	Proposed Activities	Required Resources	Dates	Responsible Party/Parties
Objective 5: Task force will complete formula development and TA staff will transition project materials to the Montana Office of Public Instruction.	Schedule a webinar involving state task force members and MPR technical assistance providers	Teleconference services and e-mail	By May 25	MPR to provide teleconferencing services
	Run revised funding formulas based on feedback from second task force meeting	Excel spreadsheets	By June 15	Kristen Kulongoski, Ruth Sugar
	Develop webinar content to share proposed final PBF system with task force members	PowerPoint presentation and electronic copies of webinar materials	By June 30	Content to be developed by Kristen Kulongoski and Ruth Sugar
	Conduct webinar	WebEx platform and audio conference line	July 13	Kristen Kulongoski and Ruth Sugar
	Consult with state staff to transition project materials to state so that staff can administer the new state PBF system following the end of the project	Teleconference services and e-mail	By July 30	Kristen Kulongoski and Ruth Sugar
Objective 6: Professional Development planning.	Develop preliminary content and structure for Professional Development activities.		By September 30	Kristen Kulongoski, Ruth Sugar, Margaret Bowles

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Performance-Based Funding In Adult Education: Montana Task Force Meeting Summary

The first task force meeting to discuss the revision of the performance-based funding (PBF) in Montana's adult education system was held on Thursday, April 8, 2010, from 8:00 am–3:00 pm, at the Office of Public Instruction in Helena, Montana.

Present:

Margaret Bowles, Office of Public Instruction
Cassie Burns, Community Health Partners
Carol Flynn, Office of Public Instruction
TJ Eyer, Office of Public Instruction
Monique Fortman, Dickinson Lifelong Learning Center
Margaret Girkins, Flathead Valley Community College
Jerry Guay, Hardin Public Schools
Jake Gustin, Helena Adult Learning Center
Darrel Hannum, District IV Human Resources Development Council/Havre
Norene Peterson, Lincoln Center
Dixie Stark, LVA Bitterroot
Byrdeen Warwood, Bozeman ABLE Adult Learning Center
Sheri Wilson, Powell County Literacy Program

Absent:

Woody Jensen, Lincoln Center

Opening Session

Margaret Bowles, state director of adult education, welcomed the task force and explained how performance-based funding was originally integrated into Montana's adult education system, and why Montana applied to participate in a national project offering technical assistance to states developing funding formulas. In 2007, the Montana Adult Basic and Literacy Education (ABLE) program convened a small task force to develop a performance-based funding formula to award new funds allocated by the legislature. Once this model was applied to all adult education funds in 2009-10, program leaders across the state expressed concerns and posed questions regarding its implementation. In response, Montana ABLE decided to revisit the formula development process so that alternative funding models could be considered. An expanded task force was convened in March 2010 to work with third-party facilitators to develop and review new models for allocating adult education funds.

Dr. Steven Klein, program director of MPR 's Preparation for College and Careers division, and Ruth Sugar, research associate in MPR's Adult Education division, facilitated the meeting. The meeting began with a review of the purpose of the project, the roles and responsibilities of the task force members, and the proposed work plan tasks and activities to build alternative models for allocating funds. Over nine months, Montana will receive individualized technical assistance funded by the U.S. Department of Education. Facilitators from MPR will work with the newly convened task force to develop additional models so that the group can examine the merits of each, and decide upon a formula that meets state goals and priorities.

Introductions

Following the project overview, the task force members were asked to introduce themselves and share their expectations and concerns about the work they would undertake together. Comments included:

- A desire to create a fair and equitable system that is transparent and understandable, and will allow directors to forecast their fiscal eligibilities to support their program planning activities.
- A desire to accommodate the different types of providers within the system so that funding is allocated to provide needed services throughout the state.
- Consideration of the potential negative impacts of formula implementation on small providers.
- The need to adjust current resource allocations to address changes in the need for services across the state.
- A desire to thoroughly understand the current formula; many participants have questions about formula operation.
- Exploration of how formula implementation affects what can and cannot be done with funding; how new criteria, structure, and policies will influence allocations.
- Consideration of the impact funding redistribution will have on the classroom, the teachers, and instruction.

Allocation Table

To provide context for the meeting discussion, MPR presented a table illustrating Montana's distribution of federal funding based on enrollment and outcomes. The group examined this table which included the total allocation of funds under the previous formula and the allocations under the 2008 revised formula. The data included the total number of students enrolled reaching greater than 12 hours, the total number of outcomes achieved in Educational Gains, Entered and Retained Employment, Received Secondary Diploma or GED, and Entered Post-Secondary Education or Training. This table represented each provider's percentage of the total state enrollment and outcomes achieved and each provider's percentage share of the federal funding under the prior formula and under the 2008 formula. MPR asked the group to look at the percentage distributions and pointed out that the 2008 formula revision had an impact on whether a provider gained or lost funding. This table demonstrated how the weight placed on criteria such as enrollment and raw outcomes will adjust the distribution of funds across the state.

Goals Exercise

Following the morning discussion, the task force identified goals that underlie Montana's adult education system and assigned priority to these goals, to determine which of them should be incorporated into a funding formula. The group brainstormed an extensive list and then categorized the items. Task force members were then asked to each select the four most important state goals for consideration in a formula. The voting process narrowed the list to the following components for possible inclusion in the new formula.

- *Enrollment*—Providing educational services to learners
- *Need*—Equity and Access to services
- *Employment*—Post-program workforce outcomes
- *Further Education*—Placement in postsecondary education and training
- *Academic Gain*—Increase in educational levels
- *Retention*—Continuation of program involvement prior to goal attainment

Formula Considerations

During the afternoon, MPR cited elements of Montana's current funding formulas so that task force members could consider whether they would like to include them in the new models. Discussion included the following:

Base Funding: Enrollment

In the current models, state funding is allocated based on the number of participants served by providers (i.e., the number of individuals who complete intake paperwork and an initial assessment), and federal funding is allocated based on the number of learners attaining the 12-hour contact threshold.

The existing models also include a tiered allocation for enrollment to account for the economies of scale associated with provider size, assuming that programs serving fewer participants face greater costs per learner. Representatives from the previous task force explained that they included this adjustment in the form of tiers so that small providers, enrolling 100 or fewer learners, would receive additional funding per enrollee to offset the impact of program size. Task force members raised a concern that this adjustment could discourage growth, because once a provider's enrollment exceeds the maximum threshold of its current tier, its base funding is reduced (see Appendix for further explanation).

MPR proposed that it could model different tier options (none-5 tiers) that might prevent extreme changes in enrollment funding due to crossing an enrollment threshold by just one participant. The task force will examine the various options and decide whether tiers will be included in the final formula.

Task force member considered the potential for awarding a flat grant to all providers to provide some funding stability amidst enrollment fluctuations. The group could not agree on a grant amount, so the next phase of formula modeling may not include a flat grant. The task force can continue to discuss this option.

Base Funding: Equity

The current models allocate funds based on the relative needs of the counties in which the programs are based. Need is determined by poverty rates, educational attainment, and unemployment rates within the counties. The task force would like to review new formula models that include the same categories of need. However, it was noted that the 2000 Census data used for educational attainment are outdated, and the 2010 Census will not report this information. An alternate data set, the American Community Survey, does not provide county level estimates on educational attainment for every county in Montana. Therefore, MPR will investigate whether there are other data sets that include this information. If there are no other sources for educational attainment, Montana may want to consider eliminating this criterion in future formulas. Concerns were also raised about the accuracy of the unemployment data since individuals who are not actively looking for work are not captured in these figures. The group will continue to discuss which data should be used to represent unemployment.

Due to low population density in areas across the state, some counties are served by satellite sites operated by providers located outside their boundary. To ensure that county "need" is appropriately assigned to providers, MPR proposed that alternative models be inclusive of each county a provider is serving. Example: if program A provides services in three counties, their need allocation will be based on the need from all three of those counties. A list of these satellite sites will be circulated to task force members to verify accuracy (see attachment) so that MPR models credit providers with their appropriate share of need in each county.

Performance Funding:

The current models allocate funds based on five NRS core outcomes: Educational Gains, GED Attainment, Post Secondary Transition, Employment Retention, and Employment Placement. There was discussion about whether raw outcomes should be the only figure used in measuring performance because outcomes-based funding tends to reward bigger programs that can generate more outcomes due to their larger enrollment base. MPR suggested alternative models include a performance allocation that includes both a) the number of outcomes achieved and b) achievement on state performance targets, which levels the playing field because all providers, large and small alike, have an equal opportunity to meet performance targets. The models will take into account which services or content areas are provided by programs so that programs are not penalized for lack of performance in those areas . When reviewing the models, the task force will be able to manipulate the percentage of funds going out based on outcomes and targets to see the impact of an "and/or" scenario at the program level.

Other priority areas that the task force considered for formula inclusion:

- Alignment of educational and other service systems to maximize resources, provide comprehensive services, and improve transitions for learners. While such alignment is critical to a robust educational system, the elements required to achieve it fall outside the purview and structure of a funding formula.
- Citizenship and civic engagement are goals that many programs have for their learners. However, besides counting the number of learners passing the U.S. Citizenship exam, no data is collected to measure learners' involvement in their communities or whether they are exercising their rights.
- Retention within programs is a desired goal; however, the group did not reach consensus on how such an outcome might be measured, so this element is presently tabled.
- A major goal of the Montana adult education system is to provide a continuum of services and inform learners of the importance and availability of education beyond participation in the adult education programs. Task force members cited student success after transitioning out of adult education as a driving force for the system. While the adult education system currently does not collect this information, the state could establish policies and procedures with partner organizations providing education and training so that student outcomes in those systems can be tracked in the future.

The task force noted the value of developing additional performance measures relating to program quality. If pursued, such a development process will be undertaken by Montana outside of the PBF project. MPR will share Kansas' performance indicators with the task force as an example (see attachment).

MPR and state staff recognize that it would be beneficial for the task force to spend additional time during the next meeting reviewing Montana's formula in more depth so that all members have a thorough understanding of how funds are currently allocated. It would also be useful to discuss how the current formula aligns, or doesn't align, with the system's goals and funding priorities.

Funding Formula

The group considered different criteria to include in the new formula and suggested differing weights for initial modeling (see percentage breakdowns in section below). MPR proposed modeling the state and federal resources in one combined formula, instead of modeling them separately. Based on the day's discussion, MPR will model the following scenarios for the task force to review at the next meeting:

<u>Base</u>: (Two funding levels: 75% and 25% of combined state and federal resources)

1) **Enrollment Average (2-year)** (50% of base funds)
    - Tiered enrollment options
    - No tiers, just one rate for all enrollments

2) **Need/Equity** (50% of base funds)

- Poverty—Number of adults living in poverty within the counties of service (50% of Need/Equity)
- Unemployment—Number of adults unemployed within the counties of service (50% of Need/Equity)

Performance-Based: (Two options: 25% and 75% of total resources)

1) **Outcomes** – (50% of performance funds)

- Educational Gains—Number of 12-hour learners achieving a level gain or obtaining a GED diploma (55% of outcomes)
- Entered Employment—Number of 12-hour learners entering employment (15% of outcomes)
- Retained Employment—Number of 12-hour learners retained in employment (15% of outcomes)
- Entered postsecondary education or training—Number of 12-hour learners transitioning to further education (15% of outcomes)

2) Targets—Number of 12-hour learners achieving a performance target, weighted for the number of learners pursuing a goal within each NRS Core Measure area **–** (50% of performance)

Harm Limit

To ensure that programs do not experience significant funding fluctuations, MPR will model a harm limit that caps gains and losses. The first model will include caps of 5% gain and loss as a placeholder. The group can consider alternative percentages at the next meeting.

Next Steps

MPR will collaborate with state staff to collect additional data required for modeling. MPR will make modeling adjustments based on follow-up conversations with the state director and experience assisting other states with their funding formulas. MPR will develop the first round of formula models to be shared at the May 24, 2010 task force meeting. These models will be presented as options to be examined in the next phase of the formula development process. There will be multiple opportunities for the task force to review and refine formula options.

Attached:
Please review:
Excel document listing main fiscal agents and satellite sites in Montana

For Your Information:
Kansas Performance Measures
Performance-based Funding in Adult Education

Performance-Based Funding in Adult Education
Montana Task Force Meeting Make-up Webinar Summary

MPR conducted a webinar on July 13, 2010 for task members who were unable to attend second task force meeting in June. During the webinar, MPR reviewed the draft Task Force Meeting #2 summary notes in order to brief the group on the activities and discussions that took place at the meeting. Kristen Kulongoski facilitated the webinar and Ruth Sugar provided technical support.

Participants:

Margaret Bowles, Montana Office of Public Instruction
Margaret Gerkins, Flathead Valley Community College
Jerry Guay, Hardin Public Schools
Dixie Stark, LVA Bitterroot

Absent:

Norene Peterson, Billings Lincoln Center

Facilitators:

Ruth Sugar, MPR Associates
Kristen Kulongoski, MPR Contractor

Review of Task Force Expectations

The facilitator reviewed the list of expectations that were generated at the April 8 task force meeting and reviewed during the June meeting.

Review of Task Force Activities

Facilitator explained that at the June meeting, the task force reviewed the current formula, considered revisions to the formula, and brainstormed implementation strategies and considerations.

State Goals and Funding Priorities

The facilitator explained that this portion of the meeting focused on Montana's goals for adult education and how they can be supported by a funding formula. She noted that some goals may be achieved through professional development, state policy, or other means, while others can be achieved through a funding formula. The facilitator reviewed the system goals and funding priorities that were identified in the April and June meetings with the web participants and asked if anyone had additions to the list. No additions were made.

Review of Current Funding Model

It was explained that a focus of the June meeting was to provide greater clarity on the criteria and operation of the current funding formula. Another reason to revisit the current formula is that priorities may have shifted since the original formula was developed; understanding how the current formula supports the ABE system's goals will help the task force as they consider needed refinements.

Using the formula description handout and the Excel allocation worksheet, the facilitator reviewed the current FY10 funding model, explaining each criteria and its operation.

- A webinar participant asked how the 09-10 allocations can have two separate formulas, one for federal allocations and one for state allocations, which include all the providers, when about one-fourth of the providers do not receive state money. Margaret explained that programs that do not receive state money were given overflow of federal funds from one of the other providers. FY11 will also show non-state funded programs receiving state funds that are actually federal funds.
- It was explained that the enrollment tiers were used to offset the gains that large programs receive through the performance outcomes allocation.
- A webinar participant asked why the 2009-10 enrollment and performance data are not used for the FY11 allocation. It was explained that there is always a lag time due to the auditing and data matching schedules which are completed in November/December, and the funding awards are usually made in June.
- After the discussion, participants expressed a good understanding of the current model.

Facilitators reviewed the revisions that were made to the current model based on the task force's June recommendations:

- Update two-year rolling average for all criteria and measures using 07-08 and 08-09 data
- Move enrollment > =12 hours to performance formula
- Update unemployment data with most current month available for 2010
- Clarify the definition and criteria used to pull students with >= 12 hours
- Convert allocation spreadsheets to MPR format

Alignment of System Goals and Funding Priorities

The facilitator outlined the alignment activity from the June task force meeting, comparing the current funding formula with the state goals and funding priorities. The group in June identified where there was clear alignment and where there were gaps. This analysis will be used again, when the task force looks at potential criteria for the new formula. The task force agreed that a strong alignment exists between the current formula and state funding priorities however, refining the formula criteria and addressing the gaps would be beneficial. Additionally, the task force agreed that the current formula addressed the needs of the system at the time it was developed but that changing conditions warranted an evaluation of the formula with revisions that looked to the future. For example, when the initial task force met in 2008, the economy was robust, unemployment was low, and there was less demand for classes. The priority at that time was student recruitment. The federal government is now focusing on quality of services provided rather than the quantity of students served.

- During the June meeting, the task force did not find alignment between the goals of program sustainability and retention within the current model. During the webinar, one participant pointed out that the harm and gain limits align with program sustainability because it prevents programs from experiencing extreme funding losses.
- The facilitator noted that the harm and gain limit mechanism is usually applied on a temporary basis, often between 1-3 years. In Montana, this element of the formula will be discontinued when a new RFP is issued for PY 11.

Allocation Table Analysis
During the June meeting, the task force was asked to review an allocation table that compared program allocations with enrollment and performance outcomes, and comment on the alignment. The facilitator noted some of the unique provider characteristics that should be considered when analyzing the table, including historical funding, local resources, and data system changes. Webinar participants discussed the following:

- Why students with less than 12 hours were not included.
- Individuals who are only assessed by a program (partner services) and do not participate as a student, are not counted in the enrollment numbers. The MABEL system records those individuals separately.
- Federal reporting is a sub-set of the total served. Choosing to count only those students with >12 hours is biased against rural or small programs due to the fact that a lot of students exit rural programs before reaching 12 hours of instruction, but after meeting outcomes. It was also explained that students spend significant time working on their own with instructor directed materials but this time is not counted as part of attendance/instructional hours. MPR plans to revise the allocation table for 2009-10 and will add <12 hours and all outcomes.
- One webinar participant indicated that it is important to note what level students test at when entering the program because the data show it takes longer for lower level students to make gains, and that lower level students are harder to retain.
- Webinar participants noted that programs do not just spend money on the students that are "counted" and that resources are used for the many who study at home and receive services that don't take place in the classroom. For example, staff develop instructional packets for students, review work, proctor exams, and provide other services that help learners reach their goals. One participant also questioned why the program should not get credit just because a student achieves an outcome prior to reaching 12 hours of classroom instruction. The facilitator suggested analyzing the data to determine the prevalence of this type of student in order to decide if this issue should be incorporated into the formula. Margaret will ask Linda Gardner to run the data.
- The facilitator asked the group to consider what the state should do regarding under-performing programs. How long should technical assistance be provided if no improvements are seen? When should the state consider if there are alternate programs that can provide the services in a region instead of an underperforming program? Should the state defund programs? Should there be a threshold of time for programs that are chronically under-performing?
- Regarding cost per student, a participant noted that rural programs can have higher costs per student because their remote locations lead the programs to incur costs that less isolated programs do not.
- A participant noted that the lack of brick and mortar post-secondary educational options should not inhibit placement in degree programs, because online degrees are available and accessed by many rural students.

Funding System Models
The facilitator explained how the task force completed the *Formula Design Worksheet* at the June meeting. She selected a few examples within the Base and the Performance components of the formula to illustrate how the group considered the pros and cons of each funding criteria, whether the criteria aligned with the state priorities, and if data was available and reliable.

The facilitator then reviewed initial task force formula recommendations and highlighted discussion comments from participants after reviewing models. Some items highlighted in the webinar discussion included:

Enrollment

- There are still questions about whether the new formula should include enrollment greater than 12 hours or regardless of hours. Also, the issue of using tiers to offset the cost of smaller programs remains unsettled.

Need

- Task force members discussed how to define "service area" for calculating need. Options include using only the program's administrative county, counties where satellites site are located, and using zip codes for determining where current students reside. Margaret indicated that zip codes will not be run at this time and that satellite sites will be addressed later. There are currently no policies or criteria in place regarding satellites, and the eastern part of the state does not have the potential to develop satellite sites.
- The facilitator raised the issue that a balance needs to be met between using potential student need and current student need. Need is typically used in a formula to represent the "potential to serve" while Enrollment awards money for current students (zip codes). Another consideration is the balance between getting credit for services connected to outcomes (NRS minimum instruction hours) and just getting students in the door (less than NRS minimum instructional hours).
- Participants suggested that the percent of the population at the satellite site may be used to calculate what percentage of the Need allocation the program receives for a "satellite" county.

Performance Measures

- The five core NRS measures are built into the formula. Decisions remain on whether to include only student outcomes with greater than 12 hours or all student outcomes.
- The task force is interested in looking at significant student gain as a possible replacement or addition to the NRS Educational Gain measure. Margaret has contacted TABE to find out what the ranges are for significant gain.
- State defined targets will be used instead of federally negotiated targets.
- The task force is still looking at the benefits to prorating targets to account for program and EFL size and to balance the outcomes allocation, which favors large programs.

Other issues still under discussion include the impact of the formula on MSP, the inclusion of a harm/gain limit, supplemental weighting, the possibility of one formula instead of two, and overall percentages for criteria.

Model Refinements

Facilitator discussed the refinements that are under consideration for inclusion in the FY12 model based on the April and June meetings. She reviewed the decisions that are outstanding and need resolution for MPR to model alternatives. Webinar participants should refer to the June meeting summary for a complete list of refinements and decisions still to made.

Implementation Considerations

The facilitator explained that the task force worked in small groups to brainstorm what should be addressed when implementing the new formula. The small groups addressed the following topics: Stakeholder Buy-in and System Training Needs, Accountability System Refinements, Montana Formula Approval Process, and other related state policy issues. The groups did not discuss their ideas at the meeting, but submitted them in writing to the facilitators, and those ideas have been documented in the meeting summary.

Next Steps

To close the webinar, the facilitator outlined project next steps that include the following:

- Revise FY10 formula description and allocation worksheets
- Update FY11 formula description and allocation worksheets
- Disseminate PBF Meeting 2 Summary and Webinar Summary to task force members for comments
- Discuss remaining modeling issues and make decisions for model refinements
- Refine models
- Schedule task force webinar to review refined models, discuss formula issues, make final recommendations, and further discuss implementation issues

Performance-Based Funding In Adult Education:
Montana Task Force Meeting #2 Summary

The second task force meeting to discuss the revision of the performance-based funding (PBF) formula in Montana's adult education system was held on Monday, June 28, 2010 from 4:00 pm–7:30 pm at the Office of Public Instruction, and Tuesday, June 29, 2010, from 8:00 am–2:30 pm, at the Wingate Hotel in Helena, Montana.

Present:

Margaret Bowles, Office of Public Instruction
Cassie Burns, Community Health Partners
Carol Flynn, Office of Public Instruction
Monique Fortman, Dickinson Lifelong Learning Center
Jake Gustin, Helena Adult Learning Center
Darrel Hannum, District IV Human Resources Development Council/Havre
Woody Jensen, Lincoln Center
Byrdeen Warwood, Bozeman ABLE Adult Learning Center
Sheri Wilson, Powell County Literacy Program

Absent:

Margaret Girkins, Flathead Valley Community College
Jerry Guay, Hardin Public Schools
Norene Peterson, Billings Lincoln Center
Dixie Stark, LVA Bitterroot

Welcome and Introductions
Margaret Bowles, state director of adult education, welcomed the group and explained that there is a webinar scheduled for July 13 for those members who could not be at the meeting on June 28–29. The task force members introduced themselves, and the facilitators, Kristen Kulongoski, an MPR Contractor, and Ruth Sugar, MPR Research Associate introduced themselves and described their role as facilitators, which is to help the task force understand Montana's current formula and guide the task force through a process that evaluates and considers revisions to the current funding system.

Review initial task force process/project expectations
The task force members were asked to introduce themselves and the task force then reviewed their project expectations shared during the first meeting:

- A desire to create a fair and equitable system that is transparent and understandable, and will allow directors to forecast their fiscal eligibilities to support their program planning activities.
- A desire to accommodate the different types of providers within the system so that funding is allocated to provide needed services throughout the state.
- Consideration of the potential negative impacts of formula implementation on small providers.

- The need to adjust current resource allocations to address changes in the need for services across the state.
- A desire to thoroughly understand the current formula; many participants have questions about formula operation.
- Exploration of how formula implementation affects what can and cannot be done with funding; how new criteria, structure, and policies will influence allocations.
- Consideration of the impact funding redistribution will have on the classroom, the teachers, and instruction.

Review of Task Force Activities
Facilitators reviewed the activities that the task force has completed to date and provided an overview of the activities scheduled for the second meeting.

Completed activities:
- Established a state commitment to PBF and convened a state task force
- Specified state funding goals and priorities (began at the April 8 meeting)
- Defined criteria for allocating resources
- Identified appropriated data sources
- Facilitators conducted interim work with Margaret to prepare for the June task force meeting

June meeting activities:
- Review current funding formula and consider revisions, and brainstorm implementation strategies

State Goals and Funding Priorities
Using the *Establishing State Priorities Worksheet,* facilitators reviewed the goals and funding priorities that the task force members agreed on at the April 8 meeting. Using Montana's ABLE mission statement, the facilitators asked the group to consider any additional system goals and funding priorities that they would like to add to the previous list.

> <u>Montana Mission Statement:</u> Believing that every person has purpose, value, and potential, Montana Adult Basic and Literacy Education (ABLE) provides free instruction to adults and out of school youth to improve their basic skills, attain the GED, transition to post secondary education and/or improve employment status.

The list below includes the original points made at the April 8 meeting (a–f), plus additional goals and priorities shared at the June 28–29 meeting (g–p).

a) Enrollment – providing services to current learners
b) Need – equity and student access to services
c) Employment – post-program workforce outcomes
d) Further Education – placement in postsecondary education and training
e) Academic Gain – increase in educational levels
f) Retention – continuation of program involvement prior to goal attainment
g) Performance Measures - programs will meet state performance targets
h) Program sustainability – responsive to demand changes/leveler – formula adjusts for program fluctuations, unexpected demand, state and federal allocation fluctuations
i) Integrated P–20 education system

j) Ability to show greater outcomes to dollar spent; ROI; how does/can ROI and funding formula fit together; creating economies of scale
k) Bridge – providing services that students missed before entering, and also transitions to other programs
l) Connecting goals – funding formula – outcomes
m) Equity – meeting the need where it is, and ensuring that populations who need services get them
n) Increase focus of the system – currently funding creates scattered approaches to serving the need
o) A funding formula that reflects the priorities of the system
p) Positive perception of adult education held by the public and the legislature

Review of Montana's Current Formula
The facilitators reviewed Montana's current formulas by providing a description of the formulas' components and pointing out the differences between the state and federal formulas. They also provided a handout of the current FY10 funding formula converted to the format used by MPR for the PBF project. The task force felt that the new format was easy to understand and requested that the FY11 formula also use the same format. Margaret agreed and will work with the state office to change the format of the FY11 formulas. The following list summarizes the discussion points and recommendations for revisions.

- There is a two-year lag for most performance data due to the required data match schedule. For example, data from 2008–09 will be used for the 2011–12 program year.
- Even though the enrollment data is live, data auditing is necessary at the end of a program year to assure that it is accurate and complete. Final enrollment data is not available until the fall of the following year.
- Tiered enrollment was used in the current formula to offset the cost of providing services in small programs. But, the task force recognizes that the current tier ranges and percentage adjustments could be modified if tiers are kept in a new formula.
- The task force can recommend whether to use one year or multiple years of data. Two or three year rolling averages buffer highs and the lows that are experienced from year to year due to unforeseen circumstances, such as changes in the economy, or a spike in population.
- The task force pointed out that the current FY10 formula includes "Enrollment >=12 Hours" under the base formula and the original decision was made by the task force that developed the 09-10 formula to include it as part of the performance formula. They requested that it be moved to the performance component. *Margaret agreed to the recommendations and will work with MPR and the state office to make these changes in both the FY10 and FY11 formulas.*
- Poverty criteria - should Montana continue to use the American Community Survey (ACS) data to determine poverty and/or education attainment need in each county? These data provide figures every three years for counties with populations of 60,000 or more, and every five years for populations of 20,000 or more. Many counties in Montana have small populations that fall outside these ranges. *MPR will look at the ACS to see what data and by which counties the data are available for the new formula.*
- Unemployment criteria - the current formulas use two different months of data from 2009. The task force recommended updating the data and using the same month for both the state and federal formulas. *Margaret will work with the state office to update the unemployment data used in the current formulas*.

- There are a few errors on the county worksheet. Deer Lodge program is in Powell County. MSP is in Powell County. Anaconda is in Deer Lodge County.
- Performance criteria - for the FY10 formulas, two years of data were used to calculate the Education Gain outcomes but only one year of data was used to calculate the outcomes for the remaining four core measures. It was noted that when the original task force developed the formula, there was only one year of core measures data to use. *Margaret will work with the state office to update the formulas so that two years of data are used for all performance criteria*.
- Raw outcomes, a benefit to large programs, were used in the performance funding allocation to balance the tiered enrollment that benefits smaller programs.
- The assessment policy that limits post-testing only after 60 hours of instruction will have an impact on program performance rates for education gain.
- Harm/Gain limits can be used in a formula to lessen the effects of major funding shifts when the amount of resources available at the state level change, but not to subsidize program funding on a continual basis. Harm/gain limits can also be used as a temporary strategy when transitioning to a new formula that has a significant impact on redistributing resources among programs. Harm/gain limits are funded either with new resources or from within, using the current level of funding. Harm/gain limits are optional and in states that have utilized a harm/gain limit, the limits have been in effect for one to four years with incremental changes to the percentages in order to phase out the limits by the last year.
- The current harm/gain limit was put into place to adjust for the programs that do not receive any state funding, and to adjust for the decrease in funds from FY09 to FY10.
- Formula phase-in - Montana will use the current formulas to allocate funds for the 2010–11 program year. The state's goal is to use the new formula in PY12. Montana will refine the current formula and then work on revising the new formula.
- Montana currently has two formulas, one for state resources and one for federal resources. Other states combine the state and federal dollars. The task force noted that Montana programs need to know the breakdown of the two because of different FICA and TRS rules associated with each at the local level. *Margaret and facilitators will consider this issue when combining the two formulas into one for the new formula.*
- It is important to balance base and performance, and factors that benefit large/small programs.
- Performance Outcomes vs. Targets - the current MT formulas only use performance outcomes to calculate PBF. Facilitators presented advantages and disadvantages of both and encouraged the task force to consider using both to balance rewarding individual student performance with overall program performance.
- Local contribution as a formula factor - it is very difficult to factor local contribution in to a funding formula without a state policy that requires a specific contribution level.
- Margaret indicated that a key message at the NRS training was the importance of program quality and not quantity.

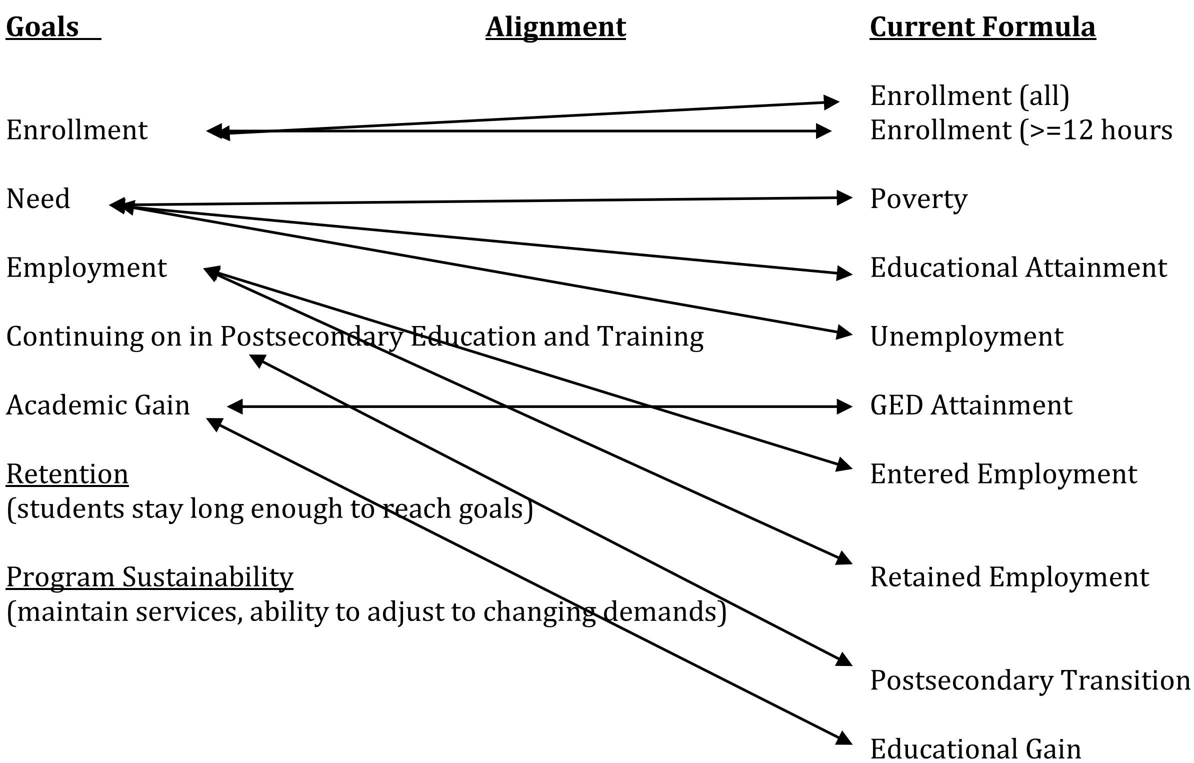
<u>FY 2010-11 Formula Changes</u>

- Update two year rolling average for all criteria and measures using 07–08 and 08–09 data
- Move enrollment > =12 hours to performance formula
- Update unemployment data with most current month available for 2010
- Clarify the definition and criteria used to pull students with >= 12 hours
- Convert allocation spreadsheets to MPR format

The task force felt that the current formula discussion was beneficial and productive, and all members indicated that they had a strong understanding of the current formula.

Alignment of Goals and Current Funding Formula

The task force then completed the final step from the *Establishing State Priorities Worksheet*, which compared their current funding formula with the state goals and funding priorities. The group identified where there was clear alignment and where there were gaps. This analysis will be used again, when the task force looks at potential criteria for the new formula. The task force agreed that a strong alignment exists between the current formula and state funding priorities however, refining the formula criteria and addressing the gaps would be beneficial. Additionally, the task force agreed that the current formula addressed the needs of the system at the time it was developed but that changing conditions warranted an evaluation of the formula with revisions that looked to the future. Retention and Program Sustainability are not aligned with the current formula.



Allocation Table Analysis

Facilitators presented a 2008–2009 allocation table and explained that there are unique considerations that influence a comparison between allocation, enrollment, and performance outcomes. Local resources, location, one site vs. many sites, special populations, types of services, program staff wages and benefits, intensity, class size, and operating costs all influence the picture. The facilitators asked the task force to examine the allocation table and describe what struck them, what they thought was missing, and what raised questions for them. Group members noted the following:

- In some cases the amount allocated to a program was not relative to the program's percentage of the state's enrollment or the percentage of the state's performance outcomes. To an outsider, these discrepancies might not make sense, so the facilitators asked the task force to explain the unique conditions that exist in the Montana system that may influence the allocations.

- In some cases, programs were historically underfunded so they continued to operate with limited resources.
- Some programs that spent few dollars per student were still able to produce outcomes, while others who spent more money per student were not able to produce outcomes.
- The allocation table does not include students who reached less than twelve hours of instruction. The task force would like to see what the cost per student and per outcome are including all students, instead of only those who reached twelve hours or more of instruction.
- The task force would also like to see this table with the data from 2009–2010, which they believe is more reflective of current conditions.

Funding System Models

Facilitators reviewed options for base and performance criteria and summarized the criteria recommendations from the first task force meeting. The task force members considered the pros and cons of each criterion, how well the criterion align with the funding priorities, and the data used to measure each criterion. Facilitators opened the discussion to include other criteria the task force may also want to consider for the formula.

Base Funding

Funding Criteria	Pros	Cons	Alignment with State Priorities	Data Source, Availability, Reliability
Example: Contact Hours	• Rewards programs for intensity/efforts • Considers more than just filling seats • Program size not a factor	• Does not consider quality of instruction • Could possibly favor programs with more resources to hold additional classes	• ACCESS (to provide instruction to enrolled students)	• Student hours reported by all programs in NRS reporting = available and reliable
Enrollment (>=12 hours)	-leads to retention -benefits small and large programs -easily obtain data -increases innovation in intake and orientation	-Doesn't include partner test referrals -can be negative based on program size	-ENROLLMENT -RETENTION	-Available and Reliable, From MIS
Tiered Enrollment	-economies of scale	-since +1 or -1 student has large impact, it does not encourage growth	-PROGRAM SUSTAINABILITY -ENROLLMENT -NEED	-Available and Reliable From MIS
Poverty	-Correlates to target population -	-serving neediest of the needy = hardest to serve	-NEED	ACS – availability for smaller counties is limited
Unemployment	-indicator of need	Does not include those who are not actively looking for work	-NEED	ACS – availability for smaller counties is

		-Includes people with high skills as well as target pop		limited
Flat Grant	-guaranteed -reduces anxiety -short-term sustainability	-not based on anything	-PROGRAM SUSTAINABILITY	N/A

Performance Funding

Funding Criteria	Pros	Cons	Alignment with State Priorities	Data Source, Availability, Reliability
Example: Performance Targets	• Rewards programs for meeting state-negotiated targets • Program size not a factor	• Does not account for program improvement over time	• QUALITY, STUDENT ACHIEVEMENT	• Data reported to the NRS = available and reliable
Educational Gains	-standardized -Federal requirement	-60 hours of instruction is required to post-test -do not align to employment goals	-ACADEMIC GAIN -RETENTION	Available and reliable data
GED Attainment	-Stepping stone to other goal achievement -proves educational attainment -resonates with stakeholders -common to all programs	-Hard to capture all who serve -need to look at definition	-ACADEMIC GAIN -EMPLOYMENT -POSTSECONDARY	Available and reliable data
Post Secondary Transition	-Core goal -Beyond GED attainment -Increases Retention -Forges partnerships -state priority -Fed priority	-Some locations do not have postsecondary options -difficult to capture transition due to time lag	-CONTINUING IN POSTSECONDARY -EMPLOYMENT	Match and Survey available
Entered Employment	-Core goal -Beyond GED	-Not aligned with academic skills that are taught -hard to track -under the table work not counted	-EMPLOYMENT	-Match available
Retained Employment	-Core goal -Beyond GED	-Not aligned with academic skills that are taught -hard to track -under the table work not counted	-EMPLOYMENT	-Match available

Performance Outcomes	-All programs receive PBF regardless of performance -easy to measure	-Favor large programs -measures *student* performance		
Performance Targets	-Measures *program* performance -mitigates for program size			-State-defined targets instead of NRS
Significant Ed Gain	-captures more than just a gain in EFL -more meaningful to students and programs	-There's no report for this in data system now	EDUCATIONAL GAIN	-MIS scale data scores exist -% gains are in the system

Facilitators presented examples of base and performance funding allocations, as well as supplemental weighting, in Indiana, Kansas Missouri, Ohio, Oregon, and Wyoming. To prepare for reviewing alternative models, facilitators outlined system considerations and summarized the formula criteria recommended from the first task force meeting.

Initial System Considerations

- Combining two formulas into one
- Using all enrollment or only enrollment greater than 12 hours
- Using tiers or flat enrollment
- Including MSP in the formula or off the top of the allocation before the formula
- Allocating need for a service area (multiple counties) or only for the administrative home county
- Finding alternative need sources for education attainment
- Eliminating ASE High from Education Gain due to duplication with GED Attainment

Base: Initial Recommendations for Models

- Enrollment
  - current tiers vs. no tiers
  - 2 year rolling average
  - >= 12 hours (eliminate all enrollment from formula)
- Need
  - Poverty
  - Unemployment
  - 1 year of data (eliminated education attainment from formula)
  - All counties served
- Institutional Grant
  - same amount to all programs

Performance: Initial Recommendations for Models

- 5 Core Measures: Education Gains, Post Secondary Transition, GED Attainment, Employment Placement, Employment Retention
- >= 12 hours
- One year of data
- Drop ASE High from Education Gains

- Targets and Outcomes

The task force discussed issues that came up as they considered the alternative models. Facilitators stressed that because the majority of the money is distributed through the base formula, the criteria in this section will have the greatest impact on programs. The list below summarizes key points from the discussion.

<u>Enrollment Issues</u>

- Enrollment regardless of hours considers
    - all students and the cost to serve them. It incentivizes getting in the door, not necessarily retention or outcomes
    - those students who are being assessed for partner agencies but who don't necessarily receive instruction. If the formula factors in only students with 12 hours or more, we lose reimbursement for providing assessment services.
- Enrollment over 12 hours incentivizes student retention but not necessarily performance (which requires 60 hour before a post test)
- Tiers vs. no tiers
    - The tiers ranges currently used in the formula can be adjusted
    - If the formula eliminates the tiers that are in place to account for program costs incurred by small programs, these costs should be considered elsewhere in the formula

<u>Need Issues</u>

- What should the definition of service area be for allocating need dollars - administrative county, counties where students live (zip codes), or program sites?
- Facilitators recommended that Montana develop a state policy that defines service area and minimum requirements (enrollment, performance, other) for accessing funds for a county or expanded service area. The task force did not want to go through the process of developing this criteria now, but will do so when bringing on new satellites in the future.
- Poverty and unemployment is sometimes higher in the counties outside of the administrative county. Is it possible to look at enrollment data by zip codes in order to see where students are coming from and allocate need based on where current students live?
- Concerns were expressed that Need data are not reliable, but the task force wants to keep Need in the formula.
- Is there an age breakdown for unemployment so that certain age groups could be targeted as higher need?

<u>Institutional Grant</u>

- Is guaranteed money, it supports stability, it should be a small amount
- An institutional grant could account for
    - enrollment under 12 hours
    - assessment costs to partners (or programs could charge partners)
    - small program cost
- Very few states have been able to determine the minimum amount to operate a program
- Look at a tiered system that awards more money to smaller programs

<u>Performance Measures Issues</u>

- 5 core measures OK

- Significant educational gain is based on scale score increases on the assessment tests. Therefore, a student could increase several scale score points within a program year, even if they did not increase by a whole Educational Functioning Level. This measure gives credit for serving students who make progress in smaller intervals. Significant gain is currently being determined by the assessment test publishers. States can consider duplicated and non-duplicated numbers. The task force would like to explore significant educational gain data that is supplied by assessment test publishers.
- What about a student persistence measure? It is difficult to define and has not shown up in many other state formulas.
- Process indicators - Kansas uses process indicators which are both labor and cost intensive but they work for them. Montana is looking at process indicators for the system but nothing is available for the current formula.
- If education is our goal, why are we holding ourselves accountable for employment?
- Educational Gain (students have to reach >=60 hours to post-test). MT completions are likely going to go way down this year because of the new policy.
- GED attainment currently includes a roughly six month overlap with the next program year (July 1 to mid-November) so that learners who obtain GED after "separation" can still be counted

<u>Targets and Outcomes Issues</u>

- Used in a funding formula to reward student and program performance.
  - <u>Outcomes</u>
  - Numbers of student completions by measures (student performance)
  - All programs receive PBF allocation regardless of program performance
  - <u>Targets</u>
    - Percentage of program completions by measure (program performance)
    - Performance is compared to state defined target
    - Only programs that meet state defined targets receive PBF allocation
    - Encourages program improvement, system improvement
- Comparing targets from year to year may not be not statistically accurate since they aren't based on real time program performance.
- Targets - a consideration for supplemental weighting is that a program that has poor performance in education gain may get more points for the other four core measures and make more money than a program who has higher educational gain performance but lower performance in the other four measures.
- Concerns were raised that a small program can earn the same number of target points, and thus get the same amount of money, as a large program. For example, even thought it might take 75% of students in both programs to earn the same target points, 75% of students in one program may equal 10 students while it equals 100 students in another program. One task force member felt that it wasn't equitable that both programs earned the same amount of money for such a different number of students.
  - The suggestion was to take the target points from each program and divide them by the total points that were earned by the state. This is the same calculation that is used for Outcomes. The concept behind Targets is different than that of Outcomes (i.e., no program can earn more than say 15 target points vs. an open amount of possible outcomes). This approach still factors performance as a % and allows all programs to earn the same number of points, but it does not account for EFL's where students are not enrolled or have very low enrollment.

- Proportionally, a large and a small program can perform at the same level - the percentage of students that achieve the targets can be the same for a large and a small program. But the larger program is already at an advantage when counting raw outcomes because they have so many more possibilities to achieve outcomes with so many more students. Awarding points by achievement on targets, with respect to level and program enrollment, provides a way for small programs to receive performance funding despite the lower number of students served.
- By prorating targets, the eligibility for earning points is equalized, whether a program is large or small. This is what levels the playing field for small and large programs, giving everyone an equal opportunity to earn points. Including both Outcomes and Targets balances a) performance funding between large and small programs, b) performance funding eligibility (targets) with no eligibility (outcomes), and incentivizes both individual student performance (outcomes) and overall program performance (targets).

- The task force would like to use state-defined targets instead of federal performance targets for Core Outcomes.
- Supplemental weighting is an option for both targets and outcomes.

Other Issues

- *Decision needed*: Consider taking MSP out of the formula and allocating state corrections off the top before the formula is calculated.*
- Underperforming programs - one consideration for closing under-performing programs may be political; if Montana lost programs in a section of the state, legislative support for the system in that part of the state may be lost.
  Should we/how to account for LEP, Tribal services, other special populations?
- Facilitators described incorporating a program improvement allocation to support either underperforming (but improving programs) or all improving programs (regardless of performance). The task force felt this should go on the list of future formula criteria
- *Decision needed*: Should a harm/gain limit be included?*
- *Decision needed*: Should all measures carry the same weight?
- *Decision needed*: What percent of funding should be allocated to Base vs. PBF
- *Decision needed*: One formula or two?

Model Refinements

Base Formula

- Enrollment
  - *Decision needed:* tiers or no tiers
  - keep 2 year rolling average
  - >= 12 hours (eliminate "all" enrollment from formula); incentivizes student retention
- Need
  - Poverty
  - Unemployment
  - 1 year of most current data available
  - *Decision needed:* Service area definition - by zip codes of current students, program sites, or administrative home*
- Institutional Grant
  - *Decision deeded:* flat or tiered amount
  - *Decision needed:* % of base or round number
  - Should balance with enrollment in terms of benefiting small/large programs

- Guarantees stability, should be small

Performance Formula

- Keep 5 Core Measures: Education Gain (11 levels), Post Secondary Transition, GED Attainment, Employment Placement, Employment Retention
- *Decision needed:* Consider Significant Education Gains- contact TABE to determine what significant gain is for reading, writing, and math
- Student with >= 12 hours
- All hours, regardless of goal - consider four core measures (not education gains)
  - *Next steps*: Look at data for four core measures all hours vs. 12 hours
- Education Gains
  - *Next steps*: look at completion data for All, 12 hours, 60 hours
- One year of data
- Drop ASE High from Education Gain
- *Decision needed*: should everyone be eligible for PBF (outcomes) or only programs that perform at state level (targets)?
- Targets
  - *Decision needed*: identify state targets based on actual performance (not federally negotiated targets)
  - *Decision needed*: identify measures
  - *Decision needed*: should targets be prorated to account for program size and number of students in a level?
- Outcomes
  - *Decision needed*: identify measures

*Following the task force meeting, the state director met with facilitators to review next steps and decisions regarding model refinements. The following decisions were made by the state director to move modeling forward:

- MSP will be taken out of the current formula.
- Need "service areas" - the state does not have the staffing capacity to run the data by zip codes and must also develop state policy for including outlying counties based on satellite sites. Therefore, the next iteration will allocate Need administrative site counties.
- A harm/gain limit will not be included in the new formula.
- OPI will provide new data to MPR from NRS Table 4.

Implementation Considerations

Finally, the task force broke into 3 smaller groups to discuss new formula implementation issues. Each team addressed 2–3 items below:

- Stakeholder Buy-in and System Training Needs:
  - Technical assistance needed
  - Connect formula to the RFP process
  - Local tool to estimate funding level, insert projections, and give estimated budget
  - Emphasis on transparency
  - Understanding of the formula development process
  - Consensus and consistent message from state and field
  - Face-to-face training in the ABLE centers and fiscal organizations
  - Face-to-face meetings with legislatures, OPI, and OVAE
  - Report produced by MPR
- Accountability System Refinements:

- Review goals and expectations after six months to a year
    - Can we quantify program improvement based on outcomes and targets
    - Look at unintended outcomes
    - Program measures: GED, Scale Scores, Targets
    - Use desk monitoring
- Montana Formula Approval Process
    - Committee approval
    - Go "whole field"
    - Need regional trainings
    - State will provide support
    - Leadership priority
    - Help level the playing field
- Other related state policy
    - Program improvement plans
    - Underperforming programs need show plan to meet targets and show increases

Wrap Up and Next Steps

In closing, the facilitators reviewed project next steps and asked the task force for feedback on the process. Task force members shared the following comments:

- Thankful to Margaret for stepping up and getting the group going on performance and a new formula
- The process is helping us to solidify why we do what we do
- The expertise in the room helps shed light on issues
- Good brainpower in the room
- Helpful to see the view of the program vs. the system
- I feel a little unsettled without the final results. I need to process the information a bit more
- It will help to see everything we talked about in writing (meeting summary)
- No time was wasted (This was a good use of time, not a waste)
- I liked the attempt at equity and hope it moves forward
- Good leadership from facilitators to get all the ideas out for consideration
- It is helpful to see the information and models on paper (concrete)
- I appreciate the ability of the task force to set aside fear and emotions
- Thankful to the group for their commitment to move adult education forward in the state. The group is pivotal in moving system forward on hard issues.

<u>Next Steps</u>

1. Revise FY10 formula description and allocation worksheets (see pages 3–4)
2. Update FY11 formula description and allocation worksheets (see page 4)
3. Conduct webinar on July 13 for task force members unable to participate in June meeting
4. Disseminate PBF Meeting 2 Summary to task force members
5. Discuss remaining modeling issues and make decisions (see pages 10–12)
6. Refine models
7. Schedule task force webinar to review refined models, discuss formula issues, make final recommendations, and further discuss implementation issues.

Appendices

Future Formula Criteria

- Program participation in state initiatives
- Collaboration with partners
- Citizenship and civic engagement
- Retention
- Quality measures
- Other education and training outcomes
- Satellite sites
- Program improvement allocation

Policy Issues:

- Return on investment
- Aligning Adult Education, K–12, post-secondary systems
- How to manage partner assessment practices that require program resources, but do not accumulate hours for learners, yet do serve as a recruitment method and to build partnerships

Follow-up Conversation on Policy Issues:

- Develop data monitoring system
- Establish state targets

Performance-Based Funding In Adult Education:
Montana Task Force Meeting #3 Summary

The third task force meeting to discuss the revision of the performance-based funding (PBF) formula in Montana's adult education system was held on Thursday, October 7, 2010 from 5:00 pm –7:30 pm and Friday, October 8, 2010, from 7:30 am–12:30 pm, at the Red Lion Inn in Helena, Montana.

Present:

Margaret Bowles, Office of Public Instruction
Cassie Burns, Community Health Partners
Carol Flynn, Office of Public Instruction
Monique Fortman, Dickinson Lifelong Learning Center
Jake Gustin, Helena Adult Learning Center
Darrel Hannum, District IV Human Resources Development Council/Havre (absent Oct 8)
Woody Jensen, Lincoln Center
Byrdeen Warwood, Bozeman ABLE Adult Learning Center
Sheri Wilson, Powell County Literacy Program
Margaret Girkins, Flathead Valley Community College
Jerry Guay, Hardin Public Schools
Dixie Stark, LVA Bitterroot

Facilitators:

Kristen Kulongoski, MPR Associates
Ruth Sugar, MPR Associates

Welcome and Introductions

The facilitators introduced themselves and reinforced their role as facilitators, which is to help the task force understand Montana's current formula and guide the task force through a process that evaluates and considers revisions to the current funding system.

The task force members were asked to introduce themselves and provided a description of their program's size and location.

- Byrdeen, Bozeman – medium and growing, urban;
- Sheri, Deer Lodge - tiny and rural;
- Jerry, Hardin – small and growing; rural;
- Woody, Billings – large and urban;
- Darrell, Havre – small and growing, rural;
- Monique, Missoula – large and urban;
- Cassie, Livingston – lower end of medium, rural;
- Dixie, Hamilton – small and rural;
- Margaret, Kalispell – medium and urban; and
- Jake, Helena – large and urban.

The task force then reviewed their project expectations shared during the first meeting:

- A desire to create a fair and equitable system that is transparent and understandable, and will allow directors to forecast their fiscal eligibilities to support their program planning activities.
- A desire to accommodate the different types of providers within the system so that funding is allocated to provide needed services throughout the state.
- Consideration of the potential negative impacts of formula implementation on small providers.
- The need to adjust current resource allocations to address changes in the need for services across the state.
- A desire to thoroughly understand the current formula; many participants have questions about formula operation.
- Exploration of how formula implementation affects what can and cannot be done with funding; how new criteria, structure, and policies will influence allocations.
- Consideration of the impact funding redistribution will have on the classroom, the teachers, and instruction.

Recap of Project Activities and Interim Decisions

Facilitators reviewed the activities that the task force has completed to date and provided an overview of the work accomplished since the second meeting.

Project activities completed to date by the state staff, task force, and facilitators include:

- Increased understanding of Montana's current funding system
- Reestablished funding priorities
- Considered advantages and challenges of current and new funding criteria
- Reviewed alternative funding models and recommended refinements
- Identified data analysis needs
- Reviewed refined funding models and recommended final criteria
- Brainstormed implementation issues
- Discussed dissemination strategy for sharing the model with colleagues

Work accomplished by the state staff director and facilitators since the last meeting includes:

- Refined funding criteria
- Completed and reviewed data analysis results
- Identified other formula issues

Funding System Model

The facilitator provided an overview of the final funding model and explained that the model compares the new allocations with actual 2010–2011 grant allocations. Additionally, the model allocates 70% of total resources to the base formula and the remaining 30% to performance funding in order to align with the current funding formula which distributes resources 65% and 35%, respectively. These percentages, including the percentages for criteria within base and performance, are placeholders until the task force makes final recommendations. The facilitator explained the control panel features within the funding model worksheet which allow individuals to easily manipulate the percentages for each criterion and repopulate the model without disrupting the structure or function of the model. The control panel functions so that different weights can be tested to see the statewide impact.

<u>Base Formula (70% of total state and federal resources)</u>

- Enrollment (48% of resources)
  - >=12 hours, all enrollment is equal
  - 2 year rolling average
- Need (15% of resources)
  - Unemployment
  - Poverty
  - Administrative county only
- Institutional Grant (7% of resources)
  - Flat, tiered allocation to small and medium programs
  - Accounts for small and medium program size/costs

<u>Performance Formula (30% of total state and federal resources)</u>

- Measures: educational gain, GED attainment, post secondary transition, entered employment, and retained employment
- Outcomes (20% of resources)
  - Two year rolling average
- Targets (10%) of resources
  - One year of data
  - Prorated

The facilitators then walked through each criterion, reviewing data analysis results associated with the criteria as well as interim state decisions and the rationale behind those decisions.

<u>Base Formula</u>

- Need
  - Definition and data: Unemployment, Poverty
  - Administrative county
  - Future considerations: other counties in service area

  ➢ Rationale
    - ✓ Data availability (state/ACS)
    - ✓ Need state policy for including other counties in need calculation (e.g., minimum enrollment, performance, site, etc.)

  American Community Survey data include only counties with 65,000 or more people on a yearly basis, and every three years the population size is 20,000 or more. The first set of five year data will be released in December and includes estimates for every county, regardless of size. The task force considered using the five year data but was skeptical of the accuracy of the estimates given Montana's population size and geography.

  The existing funding formula and new model use 2008 poverty data and May 2010 unemployment data. The task force discussed how often the data should be updated and if annual average unemployment should be used instead of one month of data. These two issues were referred to the state office to determine the appropriate set of data to use for unemployment (specific month or annual data) and how often new poverty data is available by the census. As in the current formula, the new model gives each program 100% of the need from their administrative county, even when multiple programs serve the same county.

One task force member questioned whether need should be included in the formula at all since the data are imperfect for capturing all poverty and unemployment needs in the counties. The facilitator explained that the purpose of allocating money based on need is to provide funds for potential students, while the enrollment criterion awards funds for students who are already part of the program. The need criterion values students who have the potential to be served and incentivizes programs to serve the target population in their area. One task force member mentioned that federal funding is distributed to states based solely on need. Another task force member contended that need is already accounted for when the legislature makes decisions about state funding. Therefore, the state dollars are already need-based.

Over the course of this project, the task force has grappled with what to use as a proxy for educational attainment. The task force suggested exploring the availability and accuracy of Supplemental Nutrition Assistance Program (SNAP) data to measure need instead of Census and/or American Community Survey data. They thought it might provide more timely data and may capture a more accurate picture of those in need of adult education services.

- Enrollment
    - No tiers
    - Students with >= 12 hours
  - ➢ Rationale
    - ✓ Aligns with federal requirements
    - ✓ Supports goal of student retention to keep students long enough that they achieve goals
    - ✓ Data analysis shows that in 2008–09, statewide, 63% of all enrollment is >=12 hours
        - Individual program enroll >= 12 hours ranged from 30% - 86% of total enrollment
        - In 7 programs, less than 50% of their enrollment was >=12 hours
        - In 6 programs, between 51-63% of their enrollment was >=12 hours
        - In 6 programs, more than 64% of their enrollment was >=12 hours
    - ✓ Tier ranges are problematic (+1/-1 pushes programs into new tier)
    - ✓ Establishing new tiers is difficult without a strong basis for the cut points
    - ✓ Current weight (1.2, 1.0, .8) does not have a significant impact on funding; thus, may not have desired effect of accounting for small program costs/size

Enrollment tiers were originally set up in 2008 to address the higher program costs that small programs face. In addition to the challenge of how to determine tiers' cut points, facilitators found that, when analyzing the amount of money small programs were receiving through the tiered approach, the tiered approach did not produce the intended balancing effect. Instead of accounting for small program costs in the enrollment criteria, the task force recommended the formula address these costs through an institutional grant. Therefore, the final model does not include tiered enrollment.

At the June meeting and the July webinar, the task force discussed the challenges rural programs face in keeping students at least 12 hours due to barriers traveling long distances.

Some of the more rural programs find they continue to expend resources on students who are not in the classroom, but still working on their studies independently with support from teachers and staff. At present, no policy or procedure exists to measure or report self-directed learning for inclusion in MABLE. Nor is there a method for monitoring and ensuring the consistency of the instructional practices and data reporting across all Montana programs. Montana could look to other states for examples of these policies and procedures.

The task force reviewed the analysis handout comparing all enrollment to enrollment of 12 or more hours. There was a range in enrollment percentages of 12 or hours across programs. The group then discussed the many factors that influence enrollment, such program type, location of the program, effects of seasonal work on population size, economic status of the area, distance, student goals, etc.

Another participant raised the concern that programs have been operating under the guidance that all enrollment, regardless of instructional hours, was a state goal. The current funding formula distributes funding using enrollment that includes students with less than twelve hours as well as students with more than 12 hours of instruction. With the new model incorporating enrollment data of only 12 hours or more, programs are now being held to a different standard and feels to some as though programs are being penalized. The facilitator explained that it is not a penalty, but rather the state is re-setting the standard, or bar, for enrollment. Also, it applies to all programs equally, therefore not penalizing one program over another. Participants also understood the state's shift in focus from recruitment (all students) to retention (students with at least 12 hours of instruction) and agreed to reset the standard for enrollment to 12 or more hours of instruction.

- Institutional Grant
    - Flat amount, accounts for small program size/costs
  - ➢ Rationale
    - ✓ Flat grant guarantees stable amount of money each year
    - ✓ Accounts for small program size/costs
    - ✓ Used to ensure minimum Base allocation of $10,000 is met
    - ✓ No institutional grant allocation for medium and large programs because the enrollment criterion (without tiers) provides sufficient funds to these programs

During the second meeting, the task force recommended that a new model address small program size and costs in a criterion other than enrollment tiers. The new model allocated a flat grant amount to small programs with less than 50 students enrolled per year. During the interim period, the state director also was interested in modeling a slightly greater grant amount for medium sized programs. Allocating funds using the tiered institutional grant addresses the fiscal challenges of small, medium, and large programs better. When defining enrollment tiers, the state recommended the formula only include students who reach twelve or more hours of instruction, rather than including students who did not reach this threshold. The rationale for using this measure is that it focuses programs on the state aim of retaining students so they can meet their goals, and it aligns with the federal National Reporting System requirements. The current tiers for institutional grant are now finer and reaching more economies of scale than the weighted tiered enrollment ranges in the existing formula.

The task force discussed appropriate tier ranges based on all enrollment as well as a minimum of 12 hours enrollment, minimum total grant amounts needed to provide services, and institutional grant amounts that would serve different sized programs effectively. The state director determined that $10,000 was the minimum amount of money that a small program needed to provide services. The facilitators proposed, as a starting place, that the formula include a tiered institutional grant whereby programs enrolling an average of 50 or fewer students receive a flat institutional grant allocation of $5,000; programs enrolling an average of 51–100 students would receive $8,000; programs enrolling an average of 101–200 students would receive $10,000; and programs with greater than 200 students would not be eligible for an institutional grant. The task force agreed with the overall purpose of the institutional grant but recommended the state look more closely at the tier enrollment ranges and whether to use all enrollment or a minimum of 12 hours enrollment, minimum total grant amounts per tier, and institutional grant flat allocations. Additionally, the task force suggested that the state also consider an approach where the institutional grant only "kicks-in" when a program falls below the minimum base allocation for different sizes of programs defined by the tiers.

One task force member asked about the efficacy of using a state average cost per student for determining the institutional grant amounts. The facilitator explained that it's difficult to come up with a cost per student, since the formula only includes state and federal resources and program level data is based on total resources, including local contributions. A number of programs receive significant local money, while others receive very little. Additionally, costs vary based on region.

One task force member asked how the four tiers used in allocating the institutional grants were determined, and what the impact is on those grants when the state loses money. For example, if the state lost 20% of its funding, would each tier be reduced by 20%? The facilitator explained that the institutional grant is not typically recalibrated each year, although if the minimum amount of grant funding should decrease significantly, any formula should be adjusted to accommodate for the changes in funding levels. These formula changes might affect one or more criteria in a formula.

The original purpose of the institutional grant criterion was to account for varying economies of scale across tiny to large programs, not to be a safety net for programs. Therefore, the facilitators suggest that the group consider what level of funding the institutional grant should provide to programs, regardless of a program's performance.

<u>Performance Formula</u>

- Performance measures
    - GED Attainment, Post Secondary Transition, Entered Employment, and Retained Employment
    - Students with the goal and >= 12 hours
  - ➢ Rationale
    - ✓ Aligns with federal requirements
    - ✓ Supports state goal of student persistence
    - ✓ Rewards programs for keeping students long enough to make goals and rewards programs for student goal completions
    - ✓ Data analysis shows that in 2008–09:
      - 79% of GED completers did so in 12 hours or more
      - 85% of PST completers did so in 12 hours or more

    - 61% of students who gained employment (w/goal) did so in 12 hours or more
    - 63% of student who retained employment (w/goal) did so in 12 hours or more

- Targets and Outcomes
  - Two year rolling average of data for Outcomes
  - One year of data for Targets
  - Prorated targets
  - Setting targets - use federally negotiated targets through 08–09; define new state targets for funding formula starting in 09–10
  - Outcomes and Targets
- ➢ Rationale
  - ✓ Prorating targets provides more equity and fairness to programs of different sizes
    - Rewards programs for effort in each measure/EFL
    - Accounts for low to no enrollment in measures/EFL's
  - ✓ Setting targets - 2008–09 targets are OK to use with 2008-09 data. State would like to set separate funding targets for 2009–10 data that better reflect statewide performance
  - ✓ Incorporating both targets and outcomes provides a balance between rewarding individual student performance and overall program performance.
    - Targets also support state goal of improved statewide performance and achievement of state targets
    - Balances large and small program effects

The facilitator discussed the performance analysis handout with the group and explained that the data indicate a high percentage of gains is achieved by students reaching more than twelve hours of instruction and supports the state's decision to focus performance funding on students with 12 or more hours of instruction.

The task force discussed the federal post-test assessment policy requiring sixty hours of instruction before giving a TABE assessment, and whether the mandate works in opposition to the goals and needs of the students. Directors shared that some students feel like programs "won't let them test" and that is a mark against the program. In other cases, a student might never reach sixty hours and be eligible for educational gain. The facilitator noted that while programs won't get performance credit for educational gains for students without a sixty-hour post-test, the program will get credit for the student reaching other outcomes where they set a goal, such as GED attainment, employment, or transition to post secondary education or training.

A task force member wondered whether Montana should weight GED attainment to encourage programs to focus on GED services. The state director cautioned that a supplemental weight could cause programs to "fast-track" students simply to increase performance numbers. This would counter Montana's approach that intensity of service is most important in helping students reach their short and long term goals of transitioning to further education, training, and employment.

Concerns were raised because there are program sites in Montana which have no post secondary institutions in close proximity and limited access to GED testing. Rural program directors countered that online distance education and testing is expanding and addressing some of those issues. Other concerns included the challenge for rural programs to keep students for sixty hours of instruction when long distances pose transportation and time challenges. One program option for the state to explore in the future is distance education and a policy option for student directed learning.

The group concluded that it might not be fair for a program to earn performance credit for students who reach goals in less than 12 hours because it's difficult to attribute student success to a program when the services are minimal. Program directors expressed frustration that a student must officially exit the program in order to get credit for their GED attainment in the following program year. One task force member argued that it takes money to conduct intake and assessment, and so programs should be compensated for that. However, providing high quality services that retain students long enough to reach their goals is the current goal.

Another frustration that directors cited is programs being held accountable for variables they may not have any control over, such as employment or the above mentioned assessment and enrollment mandates. Program directors offered that intensity and continuity of services allows for outcomes and success and that many programs that do achieve success are now mandating attendance (managed enrollment). Some felt the mandated system does not recognize that adult education programs are serving people who did not succeed in high school or home schooling, and who often face significant educational and life challenges. Some directors countered that the adult education system provides access for everyone and should not replicate a public school model that is failing the underserved and un-served populations. The state director reminded the group that the National Reporting System was developed by and for adult educators to build accountability into a system that didn't have any at the state and national levels. It is a work in progress and is being reviewed and adjusted as the system gets the data and research to support changes.

As with the existing formula, the model uses a two year rolling average of performance data to calculate the performance outcome allocation. The target allocation, which is based on performance percentages, uses one year of data and not performance outcomes (raw numbers).

The facilitator then explained the targets worksheet by showing how target points are awarded and how they balance performance funding allocations with performance outcomes. A program that meets or exceeds the state's target in a measure is eligible to earn target points. The eleven educational functioning levels are worth a total of 11 points and are calculated by dividing the number of students in a level by the total program's enrollment. This level of effort in a level is then multiplied by 11 to calculate the total number of target points earned per level. The other four core measures are each worth one point. With performance targets, the percent of student effort needed to earn target points is generally the same regardless of program size, thus putting all programs on an equal playing field when it comes to competing for performance target funding. Prorating targets based on where services are provided also alleviates penalizing programs that do not have students in every EFL due to program size or geography. It also alleviates over-awarding performance in levels where there are only a few students enrolled (low "n"). Using targets incentives improving overall program performance as well as meeting state targets, not just focusing on individual student outcomes as with performance outcomes funding.

The facilitator explained that the original 30% performance percentage was evenly split between outcomes and targets however, small programs were receiving so much money that they might have difficulty absorbing it in a program year. The state and facilitators explored different distributions and ended up adjusting it so that 10% was allocated to targets and 20% to outcomes.

The task force then spent time looking at the new projected allocation using the new model compared to the actual FY11 allocations. Participants saw some significant increases and decreases among programs and asked about the cause for the fluctuation. The facilitator walked the task force through the analysis worksheet that looked at each new formula factor and compared it to the existing formula criteria, by program. This analysis outlined, by program, the reasons for funding fluctuation.

A task force member asked what happens to program allocations if all programs improve on the measures and the state and federal money does not increase. The facilitator explained that the money is reallocated across programs each year based on the formula criteria, only each credit is now worth less. Continuous improvement to the data system and ongoing data analysis can show outside funders that the system is accountable and a worthy investment.

When asked what the major differences are between the existing and new formulas, the facilitator responded that while the new model uses the same broad measures as in the existing formula, the measures definitions are refined, targeting the enrollment and performance of students who have been retained and received at least 12 hours of instructional services. Additionally, the new model includes performance targets, in addition to the existing outcomes, which reward programs for overall program performance and not just individual student outcomes.

The facilitators then summarized other state interim decisions related to but not included in, the formula:

- Significant Ed Gain
    - Future consideration: when data are available
  - ➢ Rationale
    - ✓ Lack of cut scores from TABE
    - ✓ OVAE is interested in capturing SEG but pyschomatricians are not there yet
- Special populations
    - None at this time
  - ➢ Rationale
    - ✓ None to limited data to support separate special populations weight at this time
- Harm/gain limit
    - None at this time
  - ➢ Rationale
    - ✓ 2010-11 is last year for harm/gain limit
- Other criteria
    - None at this time
  - ➢ Rationale
    - ✓ No other criteria have been presented for consideration
- One formula vs. two formulas
    - One formula that is applied to both funding sources (federal and state)
    - Programs can still receive two allocation awards, if needed, in order to track each source and meet applicable rules

Next, the facilitators introduced other formula issues for task force consideration, including:

- Corrections programs
    - Remove MSP from formula
  - ➢ Rationale
    - ✓ Limited ability to compete in all measures

  Incarcerated populations face enrollment and performance advantages and disadvantages over the non-corrections programs. Corrections literacy education is currently limited to federal resources (capped at no more than 10%). The Montana State Prison allocation was deducted from the new model until further discussion can identify how correctional programs can be included in a PBF formula. There are several types of correctional literacy programs in Montana, in addition to the Montana State Prison. Billings, Glendive, and Helena have programs that include either state or community corrections partnerships and focus on either long term, short term, and pre-release students. Bozeman cited partners that would like to see classes in the county jail. There are concerns about removing the money for corrections from the formula, how to hold programs accountable for student performance, how to allocate correctional literacy awards, and whether to include all correctional programs or leave out pre-release programs. It was noted that all corrections students, even pre-release students are identified in the MIS system as "corrections." The task force recommended a separate discussion with program directors that provide correctional literacy programs.

- Supplemental Weighting
    - None at this time
  - ➢ Rationale
    - ✓ Need additional data analysis to justify supplemental weight

  The facilitator explained the purpose of placing supplemental weight on certain measures. One, the state may have performance priorities and valuing those measures more incentivizes programs to focus program practices toward meeting those goals. For example, if increasing the number of GEDs achieved is a state goal, then the formula could weight this measure to be worth more than one point; it could be weighted at 1.25, or 1.5, or 2, etc. Additionally, if data analysis shows particular educational functioning levels take longer for students to complete and potentially requiring additional resources than other levels, those levels could each be weighted at more than one point as well. A third reason states consider supplemental weighting is to ensure access for the hardest to serve populations, often the lower ABE levels or even pre-literacy levels. By attributing a greater weight to these levels, programs are incentivized to serve these populations rather than to focus on the easiest to serve populations. The facilitator suggested that the state analyze the data to determine if supplemental weighting should be applied to any measures in the formula. A task force member concurred that Montana would need to look at longitudinal data before including supplemental weighting in the formula.

- State policies
    - Minimum number of students in order to be eligible for a grant
        - Program consolidation and regional centers
    - Should the institutional grant account for small program size and costs or ensure a minimum level of funding, regardless of performance?
        - Definition of small, medium, and large program
        - Definition of small program costs

    - Minimum amount of funding for each size of program
  - Next State Plan and RFP

As the new model evolved, a number of state policy issues have been identified that need to be addressed, some before the next competitive RFP and others by the time the new state plan is due.

A task force member cautioned that there could be a lot of new local competition for the adult education dollars. The state director explained that applicants must demonstrate past effectiveness in providing adult education services. Additionally, the state could decide to award one grant per county or region to the highest scoring applicant, instead of to all programs who apply and meet the criteria. New programs can be incorporated into the system in a variety of ways; with seed money for a couple of years or by using a state average of enrollment and performance by programs of similar size.

This discussion covered regional program consolidation centers, or consortia applications, and what the advantages and disadvantages are to using this model. Some members were worried that their programs might disappear while others felt that they might be able to leverage additional resources from regional consolidation. This issue should be resolved by the completion of the next state plan and possibly before the new RFP is issued.

- Percent of funding between base and performance formulas and within each component

  The facilitator explained that the model's funding percentages were set up to generally align with existing funding percentages. She manipulated the control panel to show the task force how the percentages could be changed for the new model. The group initially looked at the redistribution of funding with a 60% Base formula and 40% Performance formula. Variations within each component included 30% for need and 23% enrollment, and 20% need and 33% enrollment. The group also discussed ramping up the PBF effort over time by allocating year one at 70% Base and 30% Performance, then 60% Base and 40% Performance in year two, and 55% Base and 45% Performance in year three. The task force did not come to a final recommendation on exact percentages but recommended the state continue to explore a variety of combinations between base and performance funding.

- Maintenance of effort

  The state director reminded the task force that the federal requirement for statewide maintenance of effort is 25% and all programs must maintain that level of effort, regardless of the amount of federal resources a program receives. A task force member noted that federal grants were intended to be start up funds, and supplement local resources, not be the primary source of a program's funding.

- Formula evaluation

  The facilitator explained that the state will need to decide how often the model will be evaluated (annually, every 2 years, 3 years, etc). Other related activities include ongoing data analyses, identifying policies and procedures that ensure high quality data goes into MABLE, and how to address unintended consequences of the formula.

Montana's Funding Goals

The facilitator reviewed the task force's funding priorities and funding criteria for alignment.

ABE Mission

- Believing that every person has purpose, value, and potential, Montana ABLE provides free instruction to adults and out of school youth to improve their basic skills, attain the GED, PST and/or improve employment status

Funding Priorities	Formula Criteria
Maintain Current Level of Services	Enrollment
Access for new students	Need (poverty, unemployment)
Student Persistence	Performance Measures (goal, >=12 hrs)
Performance (outcomes, ROI)	Performance Measures (EG, GED, PST, EE, RE)
Student Retention	Enrollment (>=12 hrs)
Program Sustainability	Institutional Grant (small, medium programs)

Implementation Considerations

The facilitators briefly outlined the implementation issues that the state will consider as they prepare for implementation on July 1, 2011.

- System training needs/Stakeholder buy-in
- Formula rollout
- New providers
- Annual funding fluctuations
- Accountability system refinements
- MT formula approval process
- Related state policy
- Model Review by Task Force (every # years)
- Other

The task force was encouraged to review the comments that were brainstormed during the second task force meeting.

Stakeholder Buy-in and System Training Needs:

- Technical assistance needed
- Connect formula to the RFP process
- Local tool to estimate funding level, insert projections, and give estimated budget
- Emphasis on transparency
- Understanding of the formula development process
- Consensus and consistent message from state and field
- Face-to-face training in the ABLE centers and fiscal organizations

- Face-to-face meetings with legislatures, OPI, and OVAE
- Report produced by MPR

Accountability System Refinements:

- Review goals and expectations after six months to a year
- Can we quantify program improvement based on outcomes and targets
- Look at unintended outcomes
- Program measures: GED, Scale Scores, Targets
- Use desk monitoring

Montana Formula Approval Process

- Committee approval
- Go "whole field"
- Need regional trainings
- State will provide support
- Leadership priority
- Help level the playing field

Other related state policy

- Program improvement plans
- Underperforming programs need show plan to meet targets and show increases

Final Formula Recommendations:

1. Need: Explore availability of SNAP data
2. Institutional grant: Refine tiers and allocation amounts
3. Refine funding percentages between Base and Performance components

After lengthy and thoughtful discussions, the facilitator polled the group to see if each member would recommend and support the refined model with the above recommendations. The group was unanimous in its support of the work completed. Ten out of 11 members present could support the model as long as the remaining recommendations were addressed. The 11th task force member indicated that she could not support the model unless the funding percentages were changed to 60% base and 40% performance. General comments included:

- We need to consider need factors (SNAP, poverty, and unemployment) that accurately represent the adult education target population. I'm not sure poverty and unemployment are the right factors.
- This is a good start, we looked at options thoroughly, we have to start somewhere and this model is a good place to start.
- This process, the way we went about it, has been solid.
- I want time to play around with the model on my own.
- I want the formula to remain under constant review.

Statewide Dissemination Process

The next step is to educate all program directors in the state. The Montana state director proposed finalizing the formula by December 2010 and holding a dissemination meeting in the winter to share the final model with all directors. The group discussed who should deliver the information - the state staff, the task force, or the consultants. There was support for each, however it was suggested that the message may be received better from the consultants, as an objective, outside third party. There was consensus that the task force needs to be present to advocate for the process as well as the model, and to provide guidance to their colleagues. The task force made the following suggestions:

- It should be clear that the meeting is for educational purposes and not a time to negotiate for changing the model
- Explain the model first, and then look at the dollars
    - Include a presentation session
        - The slides should clearly outline the tasks that the task force completed
    - Include a round table talking session
    - Include a hands-on lab session where participants have time to manipulate the model on their own
- Make sure everyone understands the model at the end of the meeting

The group discussed when to hold the dissemination meeting and whether to have one statewide meeting or multiple regional meetings. The task force recommended a one day (minimum 4–5 hours) meeting to be held in Billings in February 2011. The facilitators explained that they would develop the meeting materials and asked for volunteers to review the materials to ensure the scope and depth of information was adequate. Jerry, Sherri, and Monique volunteered.

Next Steps and Final Thoughts

The facilitators outlined next steps:

1. Facilitators will finalize an October meeting summary and the state office will distribute it to the task force.
2. Facilitators will work with the state office to explore SNAP data, refine institutional grant definition, and identify final funding percentages for criteria.
3. Facilitators will revise the funding model based on final decisions and provide annotations within the Excel workbook that describe the formulas and data that will need to be updated on an ongoing basis.
4. Facilitators will transition project materials to MT OPI by November 31, 2010 including, final project memo, meeting summaries, and annotated model.
5. Facilitators will work with the task force to develop dissemination materials (agenda, PPT slides, model handouts, and analysis handouts).
6. The state office will schedule the dissemination meeting in February 2011. Facilitators will facilitate the meeting with the help of task force members.
7. Facilitators will finalize a February meeting summary and the state office will distribute it and the final model after the dissemination meeting.

The facilitators closed the meeting by asking the task force to each share a final thought about the PBF process. Comments included the following:

- I feel good about the outcome, but not happy about my own data. I'm glad the formula has the potential to be reviewed and revised frequently.

- Instructors have a general idea about the formula, and this (model) will help; they can see the pieces, and that it is evolving. It is good that program directors across the state were involved in the process.

- Change is hard but not a bad thing.

- I understand the model better and understand that money can be lost. This has been a great collaborative effort, and it will help us sell the model to the rest of the directors.

- Great process.

- The adults in the state are lucky to have people who are this dedicated, this is a good outcome.

- I enjoyed the process and appreciate that small programs had a voice.

- There is credibility in this process.

The state director adjourned the meeting by expressing her appreciation for the task force members' collaborative work and input, making this a system-wide effort and not just a state decision.

Montana Performance-Based Funding Modeling Decisions and Rationale
November 16, 2010

Base Component				
Criteria	**Decisions made by the Task Force at the June 28–29, 2010 Meeting**	**State Decisions Made in the Interim between June meeting and October 7–8, 2010 Meeting**	**Task Force Feedback from October 7–8 Meeting**	**Final Formula Decisions**
Need	Definition: Poverty and Unemployment (Task Force decided to eliminate Ed Attainment due to old data); one year of most current data available 1) Is the definition adequate? 2) Use administrative county only or administrative and satellite counties? 3) Expanded services - need policy for expansion (future discussion list), including: minimum requirements such satellite sites' enrollment, performance, etc. for multiple years to show sustainability, how to include counties w/o data	1) Yes. <u>Note</u>: MPR will double-check ACS for available target population data *MPR: See note at end of document for ACS options and schedule.* 2) Administrative county data only; <u>Note</u>: CDKC and Forsyth share a county - distribute Need by enrollment share or 100% each? Decided on 100% each. 3) Hold for future discussion	1) Explore other proxy for "educational attainment" such as SNAP. Could be just one of the following or a combination of poverty, unemployment, or SNAP 2) OK for now 3) Look at satellite sites/counties in near future	1) TBD by state office 2) 100% for each program is aligned with the way we do K–12 funding. 3) Future list
Enrollment	Definition: Students enrolled with minimum of 12 attendance hours; two-year rolling average 1) Should enrollment differentiate between program size (tiers)? 2) How do you control for "maximizing" enrollment or funding? • Address in a funding formula vs. state policy/audit? 3) Should enrollment include students with less than 12 hours? • If not, where does the formula account for these students (possibly in performance outcomes)?	1) No, as long as the formula accounts for small program costs somewhere possibly institutional grant (IG). <u>Note</u>: MPR will look at allocation range per tiers for enrollment and IG allocation. 2) Stacking enrollment can hurt program in other formula measures 3) No. Programs should be striving to serve students longer (retention and persistence).	OK as defined.	OK as defined

Institutional Grant	1) Should the allocation be a percent of resources or flat amount? 2) Should allocations be tiered by program size?	1) Flat amount 2) Maybe. See Enrollment note above.	Define program tiers and minimum grant amount for each tier; define IG allocation amount for each tier	TBD by state office
Other Criteria	1) Are there other criteria to consider?	1) None at this time.	1) None at this time	1) None at this time

Performance Component

Criteria	Decisions made by the Task Force at the June 28–29, 2010 Meeting	State Decisions Made in the Interim between June meeting and October 7–8, 2010 Meeting	Task Force Feedback from October 7–8 Meeting	Final Formula Decisions
Educational Gain	1) Use 11 EFL's, one year of data (TF decided to eliminate ASE High) 2) Use NRS definition (12 hours or more) 3) Include Targets and Outcomes 4) Use federally negotiated targets or other state defined targets?	1) Yes 2) Yes 3) Yes 4) Use federally negotiated targets for 08–09 data; define new targets for 09–10 data	Use two year rolling average of outcomes	Use two year rolling average of outcomes
GED Attainment	1) Use One year of data 2) Use NRS definition (12 hours or more, set goal and avail to match) 3) Consider <12 hours students (w/goal); What are current program practices that impact completion in less than 12 hours? 4) Include Targets and Outcomes 5) Need to define State Targets	1) Yes. 2) Yes. 3) No. 4) Yes. 5) Use federally negotiated targets for 08–09 data; define new targets for 09–10 data	Use two year rolling average of outcomes	Use two year rolling average of outcomes
Employment Retention	1) Use One year of data 2) Use NRS definition (12 hours or more, set goal and avail to match 3) Consider <12 hours students (w/goal); What are current program practices that impact completion in less than 12 hours? 4) Include Targets and Outcomes 5) Need to define State Targets	1) Yes 2) Yes 3) No. 4) Yes 5) Use federally negotiated targets for 08–09 data; define new targets for 09–10 data	Use two year rolling average of outcomes	Use two year rolling average of outcomes
Employment Placement	1) Use one year of data 2) Use NRS definition (12 hours or more, set goal and data avail to match) 3) Consider <12 hours students (w/goal); What are current program practices that affect completion in less than 12 hours? 4) Include Targets and Outcomes 5) Need to define State Targets	1) Yes 2) Yes 3) No. 4) Yes. 5) Use federally negotiated targets for 08–09 data; define new targets for 09–10 data	Use two year rolling average of outcomes	Use two year rolling average of outcomes

Post Secondary Transition	1) Use one year of data 2) Use NRS definition (12 hours or more, set goal and avail to match) 3) Consider <12 hours students (w/goal); What are current program practices that impact completion in less than 12 hours? 4) Include Targets and Outcomes 5) Need to define State Targets	1) Yes 2) Yes 3) No. 4) Yes 5) Use federally negotiated targets for 08–09 data; define new targets for 09–10 data	Use two year rolling average of outcomes	Use two year rolling average of outcomes
Significant Ed Gain	1) Consider SEG (state staff will acquire publisher definition and pull MT data)	1) Waiting to hear from TABE	Data are not available	"Future" when available from TABE/OVA-This is not an option based on OVAE state directors' meeting in August.
Other Criteria	1) Are there other criteria to consider?	1) None at this time.	1) None at this time	1) None at this time

Other Issues

Criteria	Decisions made by the Task Force at the June 28–29, 2010 Meeting	State Decisions Made in the Interim between June meeting and October 7–8, 2010 Meeting	Task Force Feedback from October 7–8 Meeting	Final Formula Decisions
MSP	1) Should MSP be included in the formula or given an allocation off the top? 2) How should the formula account for other correctional programs?	1) MSP is taken out of formula. Need to determine accountability reqt's and annual allocation off the top. 2) TBA	1) OK 2) Convene local providers to a) look at data breakout by program (enroll, $ and sources, pre-release, incarcerated, performance, etc.) b) discuss issues and decide what to include in formula	1) OK 2) Convene local providers to look at data breakout by program (enroll, $ and sources, pre-release, incarcerated, performance, etc.) and discuss issues and decide what to include in formula
Harm/Gain Limit	1) Should a Harm/Gain Limit be included in the formula? • If so, what is the appropriate level of harm/gain limits? • How many years should it be included in the formula? • What kinds of incremental	1) No.	1) OK	1) There will be no harm/gain limit on state or federal funding.

	increases should be applied over those years?			
Additional Weighting	1) Should certain EFL's or measures be prioritized or valued more?	1) TF Discussion Note: MPR will look at # hrs per completions per EFL's.	1) Move to future list	1) Move to future list
Percent of Funding	1) What is the appropriate percent for funding for each base criteria? 2) What is the appropriate percent of funding for each performance criteria?	1) Discuss with the task force.	1) Define % between need and enrollment; Look at Base = 60% and PBF = 40%	TBD by state office
One vs. Two Formulas	1) Can the state combine resources into one formula or does there need to be two formulas (same), one for State funds and one for Federal funds?	1) One formula that applies to both federal and state money separately	1) OK	1) One formula that applies to both federal and state money separately.
Targets and Outcomes	1) Should the formula prorate targets to account for low 'n' in EFL's? 2) Should the formula include both targets and outcomes to balance program performance/student performance, and small/large programs?	1) Yes. Note: consider including GED target as EFL ASE High equivalent. MPR recommendation: no need to include GED as EFL 2) Yes.	1) OK 2) OK	1) and 2) Formula prorates targets and includes targets and outcomes.
Special Populations	1) Enrollment (supplemental weighting) 2) PBF (supplemental weighting) 3) How to define special populations (such as LEP, Tribal services, etc.), ensure accurate reporting	1) No. 2) No. 3) Not at this time	1) OK 2) OK 3) OK	Special populations are not treated separately in the formula.
Instructor Directed Learning	1) How to define it - see other state policies (on learning beyond classroom and monitoring, calculating hours, etc.)) 2) Is it applicable to all programs or only some based on rural geography?	1) Discuss Note: MPR will ask OR for permission to review their policy MPR: OR state director will call Margaret to discuss, or visa versa	Interested in more inclusive definition, policies and procedures to support it.	Is not included in the formula at this time. Calibrating this would be daunting.
State Policy	1) What is minimum # of students in order to receive a grant? 2) What is minimum grant allocation (Base) needed to open doors? 3) How to account for small or small/rural programs?	1) Need policy for next RFP 2) $10,000; use IG to make up difference 3) Institutional Grant	1) This is a good discussion item. Need to determine min. program size for next state plan; look at program consolidation (regional approach) 2) OK 3) OK	Need to determine min. program size for next state plan; look at program consolidation (regional approach)

American Community Survey Data

- 5 year data (2005–2009) released December 2010
    - Includes estimated data for every county (and other levels)
    - Estimates on education attainment, poverty, employment, language, etc.
- 3 year data; includes data for geographies with >20,000
- 1 year data; includes data for counties with >65,000

Potential Future Criteria

- Need - include satellite sites/counties as part of need definition
- Collaboration with partners
- Citizenship and civic engagement
- Retention
- Quality measures
- Other education and training outcomes
- Program improvement allocation
- Significant education gain

Related Policy Issues

- Supplemental weighting
- Program participation in state initiatives
- Consolidating programs so that funding is regionally allocated
- Maintenance of Effort – 25% local match required of all funded programs
- Corrections allocations and how to include them in a PBF formula
- Formula evaluation – every # years, intended vs. unintended impact, institutional grant amounts, MABLE issues
- Instructor directed learning – expanding definition and data collection/reporting policies and procedures
- How to measure and market return on investment
- Aligning Adult Education, K–12, post-secondary systems
- How to manage partner assessment practices that require program resources, but do not accumulate hours for learners, yet do serve as a recruitment method and to build partnerships

Modeling Issues: Interim Discussions and State Decisions Rationale

1. Need
    - Definition and data: Unemployment, Poverty
    - Administrative county only
    - Future consideration: other counties in service area or potential need area
  - ➢ Rationale
    - Data availability (state/ACS)
    - Need state policy for including other counties in need calculation (e.g., minimum enrollment, performance, site, etc.)

2. Enrollment
    - Students with >= 12 hours
    - No tiers
  - ➢ Rationale
    - >=12 hour aligns with federal requirements
    - Supports goal of student retention to keep students long enough that they achieve goals
    - Data analysis shows that in 2008–09, statewide, 63% of all enrollment is >=12 hours
      - o Individual program enroll >= 12 hours ranged from 30% - 86% of total enrollment
      - o In 7 programs, less than 50% of their enrollment was >=12 hours
      - o In 6 programs, between 51–63% of their enrollment was >=12 hours
      - o In 6 programs, more than 64% of their enrollment was >=12 hours
    - Tier ranges are problematic (+1/-1 pushes programs into new tier)
    - Establishing new tiers is difficult without a strong basis for the cut points
    - Current weight (1.2, 1.0, .8) does not have a significant impact on funding; thus, may not have desired effect of accounting for small program costs/size

3. Institutional Grant
    - Flat, account for small program size/costs
  - ➢ Rationale
    - Flat grant guarantees stable amount of money each year
    - Accounts for small program size/costs
    - Used to ensure minimum Base allocation of $10,000 is met
    - No institutional grant allocation for medium and large programs because the enrollment criterion (without tiers) provides sufficient funds to these programs

4. GED, PST, EE, RE
    - Students with goal and >= 12 hours
  - ➢ Rationale
    - Aligns with federal requirements
    - Supports state goal of student persistence
    - Rewards programs for keeping students long enough to make goals and rewards programs for student goal completions
    - Data analysis shows that in 2008–09:
      - o 79% of GED completers did so in 12 hours or more
      - o 85% of PST completers did so in 12 hours or more
      - o 61% of students who gained employment (w/goal) did so in 12 hours or more
      - o 63% of student who retained employment (w/goal) did so in 12 hours or more

5. Significant Ed Gain
    - Future consideration: when data are available
  - ➢ Rationale
    - Lack of cut scores from TABE
    - OVAE is interested in capturing SEG but pyschomatricians are not there yet

6. Targets and Outcomes
    - Prorated targets
    - Setting targets - use federally negotiated targets through 08–09; define new state targets for funding formula starting in 09–10
    - Outcomes and Targets
  - ➢ Rationale
    - Prorating targets provides more equity and fairness to programs of different sizes
      - o Rewards programs for effort in each measure/EFL
      - o Accounts for low to no enrollment in measures/EFL's
    - Setting targets - 2008–09 targets are OK to use with 2008–09 data. State would like to set separate funding targets for 2009–10 data that better reflect statewide performance
    - Incorporating both targets and outcomes provides a balance between rewarding individual student performance and overall program performance.
      - o Targets also support state goal of improved statewide performance and achievement of state targets
      - o Balances large and small program effects

7. Montana State Prison
    - Remove MSP from formula
  - ➢ Rationale
    - Limited ability to compete in all measures

8. State Policy
    - 12 hour enrollment - collecting instructional hours, instructor directed learning
    - Min. number of students for grant eligibility – need to develop policy for next RFP
    - Min. grant allocation (base) for grant recipients - $10,000
  - ➢ Rationale
    - Exploring policy revision on how to count enrollment; how to incorporate instructor directed learning more broadly
    - $10,000 is standard for current small program operations budgets

9. Special Populations, Harm/Gain Limit, Other Criteria
    - Not included in the formula at this time
  - ➢ Rationale
    - Limited to no data to support separate special populations weight at this time
    - 2010–11 is last year for harm/gain limit
    - No other criteria have been presented for consideration

10. One Formula vs. Two Formulas
    - One formula that is applied to both funding sources (state and federal).
  - ➢ Programs receive two allocations in order to track each source and meet applicable rules.

2010–11 Alternative Funding Model (DRAFT as of 10.8.2010)

A	B	C	D	E	F	G	H	I	J	K	L	M
	Base Funding					**Performance Funding**			**Total Allocation**	**Comparison 2010–11**		
Provider	**Enrollment**	**Poverty** (TBD - state may use SNAP data instead of Poverty)	**Unemployment**	**Tiered Institutional Grant** (TBD)	**Total Base**	**Outcomes**	**Targets**	**Total PBF**	**New Allocation (Base + PBF) 2010–11**	**Actual Allocation (2010–11)**	**Difference**	**Percent Difference**
Notes:	Programs' % of state's two year rolling average for enrollment (Enrollment WS, column I) multiplied by the enrollment allocation (D39)	Programs' % of state's poverty (Need WS, column D) multiplied by the poverty allocation (D40)	Programs' % of state's unemployment (Need WS, column F) multiplied by the unemployment allocation (D41)	Flat grant amounts (D43-D46) awarded to programs based on enrollment size (rows 43-46).	Sum of Enrollment + Need (poverty, unemployment) + Institutional Grant (B+C+D+E)	Programs' % of state's two year rolling average for outcomes (Outcomes WS, 07-09) multiplied by the Outcomes allocation (D49)	Programs' % of state target points (Targets WS, 08–09) multiplied by the Targets allocation (D50)	Sum of Outcomes + Targets (G+H)	New formula allocations. Sum of Total Base + PBF (F+I)	Actual program grant amounts for 2010–11 (Allocations WS, column J)	New formula allocation minus actual 2010–11 allocation (J-K)	Funding difference b/w new formula allocation and actual 2010–11 allocation, divided by actual allocation (L/K)
Anaconda	$5,615	$1,811	$1,192	$ -	$8,618	$2,026	$6,400	$8,426	$17,044	$15,468	$1,576	10%
Billings	$190,922	$16,341	$17,347	$ -	$224,610	$78,672	$15,455	$94,127	$318,737	$280,115	$38,622	14%
Bitterroot - LVA	$20,984	$5,898	$6,950	$ -	$33,832	$7,616	$6,690	$14,306	$48,139	$58,151	($10,012)	-17%
Bozeman	$73,295	$11,371	$14,861	$ -	$99,527	$35,002	$17,583	$52,584	$152,112	$93,675	$58,437	62%
Butte	$35,170	$5,589	$4,221	$ -	$44,979	$9,399	$1,457	$10,855	$55,834	$73,506	($17,672)	-24%
CDKC	$11,231	$1,940	$1,057	$ -	$14,228	$1,539	$3,482	$5,021	$19,249	$33,512	($14,263)	-43%
Deer Lodge	$4,729	$1,115	$969	$ -	$6,813	$2,593	$13,526	$16,119	$22,932	$12,018	$10,914	91%
Forsyth	$4,138	$1,940	$1,057	$ -	$7,135	$405	$1,320	$1,725	$8,859	$23,585	($14,725)	-62%
FVCC	$82,162	$11,027	$21,230	$ -	$114,419	$34,921	$15,773	$50,693	$165,112	$157,844	$7,268	5%
Glendive Dawson	$26,008	$1,194	$653	$ -	$27,855	$4,537	$4,155	$8,692	$36,547	$44,059	($7,512)	-17%
Hardin	$19,210	$2,847	$2,131	$ -	$24,189	$5,185	$3,322	$8,507	$32,696	$37,251	($4,555)	-12%
Havre	$7,389	$2,981	$1,811	$ -	$12,181	$2,512	$9,873	$12,385	$24,565	$42,357	($17,792)	-42%
Helena	$84,821	$7,351	$7,317	$ -	$99,489	$22,362	$1,587	$23,950	$123,439	$139,448	($16,009)	-11%
Lewistown	$19,802	$1,703	$1,411	$ -	$22,915	$10,047	$15,567	$25,614	$48,529	$41,794	$6,735	16%
Livingston	$19,802	$2,100	$2,742	$ -	$24,643	$6,401	$4,507	$10,908	$35,551	$49,989	($14,438)	-29%
MCC	$22,166	$1,966	$1,108	$ -	$25,239	$12,234	$11,994	$24,229	$49,468	$44,942	$4,526	10%
Missoula	$126,789	$22,254	$16,896	$ -	$165,939	$52,178	$19,179	$71,358	$237,296	$223,741	$13,555	6%
SKC	$50,243	$6,271	$4,360	$ -	$60,874	$13,126	$0	$13,126	$73,999	$84,572	($10,573)	-13%
Skyline (GFCOT)	$52,903	$11,219	$9,600	$ -	$73,722	$11,019	$4,017	$15,036	$88,757	$102,839	($14,082)	-14%
State Totals	**$857,376**	**$116,915**	**$116,915**	**$ -**	**$1,091,206**	**$311,773**	**$155,887**	**$467,660**	**$1,558,865**	**$1,558,865**	**$0**	

Control Panel			
Federal Funding FY11			**$1,077,106**
State Funding FY11			**$524,998**
Total Funding FY11			**$1,602,104**
MSP Allocation			**($43,239)**
Total Formula Funding FY11			**$1,558,865**
		% of Total Funds	$ Amounts
Base Funding		**70%**	**$ 1,091,206**
Enrollment		55.0%	$ 857,376
Poverty	(Need)	7.5%	$ 116,915
Unemployment	(Need)	7.5%	$ 116,915
Institutional Grant		0.0%	$ -
Enrollment Tier 1	0	50	$ -
Enrollment Tier 2	51	100	$ -
Enrollment Tier 3	101	200	$ -
Enrollment Tier 4	201		$ -
Performance Funding		**30%**	**$467,660**
Outcomes		20.0%	**$311,773**
Targets		10.0%	**$155,887**
TOTAL		**100%**	**$1,558,865**

Control Panel cells in red font can be changed to manipulate model assumptions

The following criteria will be finalized before implementation:

1) Need - use of SNAP, Poverty, and/or Unemployment data to calculate the need allocation.
2) Institutional Grant - a flat amount to all programs, only small programs, or none at all.
3) Percentages between base and performance and within each component.